



City of Baltimore, Maryland

Comprehensive Annual Financial Report

Year Ended June 30, 1998

Prepared by the Department of Finance

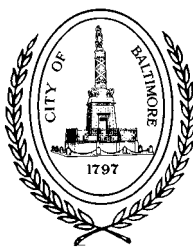
William R. Brown, Jr.

Director of Finance

**Bureau of Accounting and Management
Information Services**

Robert O. Duncan, Jr.

Bureau Chief



ELECTED OFFICIALS

MAYOR

Kurt L. Schmoke

PRESIDENT OF THE CITY COUNCIL

Lawrence A. Bell

COMPTROLLER

Joan M. Pratt

BOARD OF ESTIMATES

PRESIDENT

Lawrence A. Bell

MAYOR

Kurt L. Schmoke

COMPTROLLER

Joan M. Pratt

DIRECTOR OF PUBLIC WORKS

George G. Balog

CITY SOLICITOR

Otho M. Thompson

CITY COUNCIL

Lawrence A. Bell, *President*

Agnes Welch, *Vice-President*

FIRST DISTRICT

John L. Cain

Nicholas C. D'Adamo, Jr.

Lois Garey

SECOND DISTRICT

Paula Johnson Branch

Robert L. Douglass

Bernard C. Young

THIRD DISTRICT

Rita R. Church

Robert Curran

Martin O'Malley

FOURTH DISTRICT

Sheila Dixon

Keiffer J. Mitchell, Jr.

Agnes Welch

FIFTH DISTRICT

Helen Holton

Stephanie Rawlings

Rochelle "Rikki" Spector

SIXTH DISTRICT

Dr. Norman A. Handy, Sr.

Edward L. Reisinger

Melvin L. Stukes

City of Baltimore
Comprehensive Annual Financial Report
Year Ended June 30, 1998

TABLE OF CONTENTS

Page(s)

INTRODUCTORY SECTION

Title Page	I
Elected Officials	II
Table of Contents	III
Letter of Transmittal.....	V
Organization Chart.....	XV
Certificate of Achievement for Excellence in Financial Reporting.....	XVI

FINANCIAL SECTION

Independent Auditors' Report	1
------------------------------------	---

General Purpose Financial Statements

Combined Balance Sheet — All Fund Types, Account Groups and Discretely Presented Component Units	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances — All Governmental Fund Types, Expendable Trust Fund and Discretely Presented Component Unit.....	5
Combined Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances — Budget and Actual — Budgetary Basis — General and Budgeted Special Revenue Funds	6
Combined Statement of Revenues, Expenses and Changes in Equity — All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Unit	7
Combined Statement of Cash Flows — All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Unit	8
Combined Statement of Changes in Plan Net Assets — Pension Trust Funds.....	9
Notes to General Purpose Financial Statements	10

Combining and Individual Fund Financial Statements and Schedules

General Fund:

Schedule of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual (Budgetary Basis)	40
--	----

Special Revenue Funds:

Combining Balance Sheet.....	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (GAAP Basis)	43

Motor Vehicle Fund:	
Schedule of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual (Budgetary Basis).....	44
Special Racetrack Fund:	
Schedule of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual (Budgetary Basis).....	45
Enterprise Funds:	
Combining Balance Sheet.....	46
Combining Statement of Revenues, Expenses and Changes in Equity	47
Combining Statement of Cash Flows	48
Internal Service Funds:	
Combining Balance Sheet.....	49
Combining Statement of Revenues, Expenses and Changes in Equity	50
Combining Statement of Cash Flows	51
Trust and Agency Funds:	
Combining Balance Sheet.....	52
Combining Statement of Plan Net Assets — Pension Trust Funds.....	53
Statement of Revenues, Expenditures and Changes in Fund Balance — Expendable Trust Fund	53
Combining Statement of Revenues, Expenses and Changes in Fund Balances — Nonexpendable Trust Funds.....	54
Combining Statement of Cash Flows — Nonexpendable Trust Funds.....	54
Combining Statement of Changes in Plan Net Assets — Pension Trust Funds	55
Combining Statement of Changes in Assets and Liabilities — Agency Funds	56

STATISTICAL SECTION

General Governmental Revenues by Source (GAAP Basis) — Last Ten Fiscal Years	58
General Governmental Expenditures by Function (GAAP Basis) — Last Ten Fiscal Years	58
Property Tax Levies and Collections — Last Ten Fiscal Years.....	59
Assessed and Estimated Actual Value of Taxable Property — Last Ten Fiscal Years	59
Property Tax Rates — Last Ten Fiscal Years	60
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures — Last Ten Fiscal Years	60
Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita — Last Ten Fiscal Years	61
Revenue Bond Coverage — Water Utility, Waste Water Utility, Parking Facilities and Convention Center Bonds — Last Ten Fiscal Years.....	62
Computation of Overlapping Debt.....	62
Real Property Value, Construction Permits and Bank Deposits — Last Ten Fiscal Years.....	63
Principal Taxpayers	63
Demographic and Miscellaneous Statistics	64

CITY OF BALTIMORE

KURT L. SCHMOKE, Mayor



DEPARTMENT OF FINANCE

WILLIAM R. BROWN, JR., Director
469 City Hall
Baltimore, Maryland 21202

December 4, 1998

Honorable President and Members of
the Board of Estimates
City of Baltimore, Maryland

In compliance with Article VII, Section 8, of the revised City Charter (November, 1964), submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Baltimore, Maryland, (the City) for the year ended June 30, 1998, including the independent auditors' report thereon. The CAFR was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart, a list of principal officials and the certificate of achievement for excellence in financial reporting. The financial section includes the general purpose financial statements and the combining and individual fund financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

The Reporting Entity and Its Services

This report includes all of the fund and account groups of the City which we consider to be part of, controlled by or dependent on the City. Professional judgment must be used to determine whether or not a potential component unit should be included in the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the City's CAFR. Three component units, the Baltimore Industrial Development Authority, the Baltimore Community Development Finance Corporation and the New Baltimore City Board of School Commissioners, were considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for these entities. Effective July 1, 1997, the operations of the Department of Education were transferred to the New Baltimore City Board of School Commissioners. Accordingly, the fiscal year 1998 operations of the Baltimore City Public Schools were shown as a discretely presented component unit.

The City provides the full range of municipal services contemplated by statute or charter. This includes public safety (police and fire protection), water and waste water utilities, highways and streets, sanitation, health and human services, culture and recreation, education (elementary through high school), public improvements, planning and zoning, parking facilities, mortgage loan programs, industrial development and general and administrative services; these activities are included in the reporting entity. The Housing Authority of Baltimore City and certain other organizations are not considered to be component units and are not included in the City's general purpose financial statements.

Economic Condition and Outlook

Baltimore City is the center of the Baltimore Metropolitan area, the 15th largest metropolitan area in the country, and the location of about 381,000 jobs or 34% of the jobs in the metropolitan area. The City is the northern anchor of the Baltimore-Washington Common Market-the fourth largest, wealthiest, and one of the best educated population centers in the country. The proximity to Washington and midwestern and northeastern markets, an excellent transportation system, international port, and access to a large and diversified work force continue to be cited as factors affecting location decisions. An unprecedented form of regional cooperation emerged in 1998 with the joint Baltimore and Washington bid to bring the 2012 Olympic Games to the region. This type of regional effort is reflected in the activities of the Greater Baltimore Alliance and the results, as major employers, such as MBNA, DAP, Inc., and Sierra Military Health Systems relocate to Baltimore or the region.

Central cities in the northeastern and midwestern portions of the United States face the realities of regional shifts in the nation's population, global corporate decision-making, technological revolutions in communication, electronic production,

retail transactions and work places, and continued suburban sprawl. In face of these mega-trends, the City continues to lose population. According to the State Department of Health and Mental Hygiene, the City's population was estimated to be about 650,900 in July 1998. While many new job generators expand or locate in the City and region, the number of jobs reported to be in the City has declined slightly in the most recent twelve month period for which data is available compared to the prior twelve months, about 1,700 jobs or 0.4%. In spite of the technological revolution in the work place, this drop is only a small fraction of the rate of decline experienced between 1989 and 1996 when the job loss leveled out. The property tax base declined from fiscal 1997 to fiscal 1998. This reflects the on-going weakness of values in the state and regional real estate market despite a high level of activity in the market. However, the tax collection rate improved reflecting positive economic conditions.

Fiscal 1998 saw positive economic news with growth in income, transfer, recordation, hotel and admissions tax receipts. Signs of strength in the local economy, particularly in the housing and tourism sectors, reflect the improved State economy and strong national economy. They include:

- Net taxable income grew 3.8% between calendar 1996 and calendar 1997.
- The total number and value of property sales continued to increase for a fourth year, led by a 23% increase in residential unit sales.
- The City led the region's counties in the growth in sales of existing homes.
- The commercial office vacancy rate shows continued and significant improvement, as the rate at the end of fiscal 1998 declined to about 14% from the prior year's 19%.
- Total passenger volume at the Baltimore/Washington International Airport increased by over 5% in calendar 1997.
- Hotel taxable sales posted over 15% growth in fiscal 1998, almost three times the average rate of growth so far in the 1990's and occupancy rates rose above 70%. Ground has been broken for a major new hotel.

Baltimore's stature as a visitor destination point has grown enormously according to D.K. Shifflet & Associates, a research firm specializing in the Hospitality Industry. Baltimore had an estimated 13.4 million visitors in calendar 1997, up 22% from the prior year, and a growth rate seven times higher than the total for the nation. Baltimore visitation ranking among all U.S. cities improved from 27th to 20th during this period. These visitors are estimated to have spent \$2.7 billion in calendar 1997, up 14% from the prior year, and three times the rate of increase compared to the total for the nation. Perhaps the one event that best illustrates the City's ability to attract visitors is the Whitbread Round The World Race, the world's premier sailing competition, and the first ever Baltimore Waterfront Festival. This week-long event had more than 400,000 people in attendance. According to the Race Director, Baltimore produced the "best stop-over" in the entire history of the race.

In combination with the recent \$151 million expansion of the Convention Center and existing tourist draws, major developments like the new \$223 million Ravens professional football stadium and smaller scale but important name brand attractions, help draw a growing number of visitors to the City. Some of the newer or soon-to-open attractions include: the first ever ESPN Zone interactive sports arena and restaurant, Barnes & Noble super-store, and Hard Rock Cafe, all in the newly renovated Power Plant; Planet Hollywood in the newly renovated Harborplace; and, Port Discovery, the first Disney-designed children's museum in the nation scheduled to open in December 1998.

The "1998 City Business Tax Study," a study done by Vertex Inc., a national supplier of state and local tax information, found Baltimore to have the 4th lowest combined federal, state, and local business taxes among 27 major U.S. cities examined. The study measured federal, state, and local income, sales, property, payroll, telecommunications, franchise, and license and occupation taxes. Only three cities, Las Vegas, Atlanta, and Denver, were found to have a lower business tax burden.

With a favorable tax climate, an aggressive State, regional and City economic development program and tax incentives, a significant number of employers have moved to or expanded their presence in the City. A partial list for fiscal 1998 includes: AEGON USA and Monumental Life Insurance; Sierra Military Health Services; DAP Inc.; National Gypsum; TCI Communications of Baltimore; CVS Pharmacy; Blockbuster and Hollywood Video; Brooks Brothers; Guilford Pharmaceutical; EBA Engineering; MTS Wireless Components; Maryland Enterprises; Maryland Thermoform/KLON Corporation; GAF; Giant Foods; Glass Resources; Efficiency Enterprises; Pro Biotex; Nurad Technologies; Chesapeake Fleet Maintenance; W.W. Grainger, Inc.; ROI Technologies, Inc.; Atco Rubber Products; Up-To-Date Laundry; Rite Aid; Royal Farms; Ruppert Landscape Company; Safeway; and Zurich Insurance, among others. In a continuing effort to capitalize on the national growth in the non-profit sector, the City has successfully added to its list of non-profits the international headquarters of Lutheran World Services, and Lutheran Refugee and Immigration Services. In addition, international philanthropist George Soros established the first branch office of his Open Society Institute in Baltimore in 1998. Major education and health institutions, including the University of Maryland and Johns Hopkins health systems continue to expand with nearly \$1 billion in projects underway.

MAJOR INITIATIVES

Trends in population, employment, property tax base, and the continuing concentration of a disproportionate share of the State's poor comprise a set of concerns which guide the formulation of the City's program objectives. The City has consistently been a national leader, developing innovative approaches to the problems common to center-city urban areas. These initiatives are accomplished within the constraints of a budget facing limited local revenue growth. They often involve creative use of Federal, State, and private grant resources. For instance, the City is one of the first two cities selected by the National Science Foundation for a six year study on the ecology of the urban environment. The only program cited by Vice President Al Gore in his news conference announcing \$2.25 billion in annual Federal funding to support Internet access for the nation's schools and libraries was the City's highly acclaimed "A Whole New World" computer literacy program for youth-at-risk. The City is also one of the top two cities in terms of effective vaccination programs for children age 19-35 months. The City's pioneering efforts in drug treatment draw national attention. For instance, financier/philanthropist George Soros, impressed by the City's cutting edge approaches, committed \$25 million to support City drug treatment programs. In November 1997, Kate Shindle, Miss America 1998, visited Baltimore's nationally recognized Needle Exchange Program, as part of her campaign to increase AIDS cures awareness. The City continues to pioneer in AIDS treatment with the nation's first pharmacy based needle exchange program. The results are positive. Between 1995 and 1997, diagnosed AIDS cases declined over 40 percent.

The following paragraphs provide examples of 1998 initiatives for each major City objective.

Public Health and Safety

Objectives: Protect the lives, property, and the environment of residents, ensure maximum health and health care, and reduce the fear and the incidence of violent crime.

Fiscal 1998 Examples: The Police Department staffing grew with the addition of 30 new police officer positions and hiring of 56 community service officers. New initiatives included the formation of a Metro Drug Squad, a Warrant Apprehension Task Force, a Youth Violence Strike Force and a more intensive intervention effort for domestic violence (an effort which complements initiatives of the Women's Commission). The Fire Department increased the number of safety inspections conducted by fire suppression personnel, school and community safety programs, and fire loss management inspections. Targets were exceeded in all areas. For instance, the fiscal 1998 total fire suppression safety inspections increased to nearly 23,000 from a fiscal 1997 level of about 13,000. Crime rate and fire loss reductions reflect public safety accomplishments. Reduction in infant mortality, tuberculosis, syphilis, and other disease rates reflect positively on initiatives in the public health area.

Neighborhood Stabilization and Revitalization

Objectives: Reduce the number of vacant properties, increase the number of stable blocks by 5% annually, and achieve a net increase in homeowner-occupied residences by 1,000.

Fiscal 1998 Examples: The U.S. Department of Housing and Urban Development (HUD) recognized the City by awarding it several John G. Gunther Blue Ribbon Practices Awards which recognize excellence in management of HUD funded programs to strengthen neighborhoods. HUD also recognized the City as the national leader, ranking number one in the nation, in the commitment of Home Investment Partnership Program monies. The City's Department of Housing and Community Development has increased the number of housing violations taken to housing court from less than 100 per month at the end of 1997 to over 300 per month by the end of 1998. The number of vacant properties demolished increased from less than 1,100 in fiscal 1997 to about 1,800 in fiscal 1998. The percentage of homeowners in the City has increased to nearly 55%.

Environment

Objectives: Reduce grime in City neighborhoods and provide an aesthetically acceptable environment.

Fiscal 1998 Examples: The Department of Public Works successfully implemented seven-day-a-week solid waste collection scheduling, decreased call-back complaints, and increased the amount of trash and debris picked up in streets and public areas from 115,000 tons to over 121,000 tons, an increase of 5%. The Department of Recreation and Parks in fiscal 1998 entered into an aggressive program to expand the number of environmental education programs and the number of partnerships with neighborhoods, businesses, schools and other entities. The Department of Planning has increased significantly the number of critical area requirements and permit reviews (wet lands, flood plains, waterfront) and forest conservation plans,

a 20% increase from 305 to 366 reviews. In October 1997, Baltimore became one of only two cities in the nation chosen by the National Science Foundation for a long-term six year study of urban ecology.

Employment and Income

Objectives: Reduce the density of poverty in the City, and improve the economic and business climate to produce a net increase in the number of businesses and the number of jobs for residents.

Fiscal 1998 Examples: The Baltimore Development Corporation (a related organization of the City of Baltimore) programs exceeded their fiscal 1998 new jobs target producing 1,893 new jobs as compared to the target of 1,700. In addition, programs of the agency resulted in retained jobs of about 3,900 as compared with slightly over 1,000 jobs in fiscal 1997. Sierra Military Health Services moved its headquarters to Baltimore bringing over 300 new jobs to the center-City, and DAP, Inc., the world's leading manufacturer of several construction and home improvement products moved its headquarters to the City. The City has become the first in the nation to receive funding for demolishing and replacing all obsolete high rise low income public housing. The deconcentration of poverty is an essential element of the City's economic development program. Among other accomplishments, the Office of Employment Development increased job placements through its Career Center Network from about 3,000 to nearly 3,900.

Be the City that Reads

Objective: Increase the percent of employable high school graduates.

Fiscal 1998 Examples: The Enoch Pratt Free Library increased from 14,000 to 48,000 the number of children attending supervised after school practical and special education programs. Through the Police Athletic League (PAL) Program, the Police Department has increased the number of youth enrolled from about 4,800 to about 8,000 and increased the number of centers with educational tutoring programs from three to ten. The Library worked with the Police to establish youth service "Smartlink" electronic networked education access support sites at three PAL centers. The Office of Employment Development increased the number of summer jobs from about 3,800 to over 4,700 in fiscal 1998 and the number of youth placed in structured employment readiness, occupational training, and academic activities grew from about 5,500 to over 6,200.

Quality of Life/Perception of Quality of Life

Objectives: Provide equity in the use of information technology, recreational and cultural opportunities, and increase resident involvement in City government.

Fiscal 1998 Examples: The National Aquarium in Baltimore was one of three institutions in the nation to receive the prestigious National Award of Museum Service from the Federal Institute of Museum and Library Services. The award, presented by First Lady Hillary Rodham Clinton, acknowledges the efforts that "created programmatic initiatives that enhance the lives of local citizens, especially underserved individuals." Under the leadership of the Mayor's Information Technology Board (ITB), the City completed its first strategic information plan, "Access Baltimore," which has among its aims, utilizing information technology to make available high quality services to all residents of the City regardless of socio-economic status. The Enoch Pratt Free Library provides free access to the Internet and other electronic resources through the State-wide network, "Sailor." Sailor had over 13.5 million "hits," a 46% increase over the prior year. Pratt Library opened its first "library beyond the walls," a Library Information Kiosk, in a major City shopping center providing interactive, on-line service for the community.

Government Efficiency and Performance

Objectives: Reduce time and increase efficiency in processing of financial transactions, speed up delivery and improve quality of services, establish customer service standards, and within appropriate service levels minimize cost of all government operations.

Fiscal 1998 Examples: The two year 311 non-Emergency call system pilot project, according to Mary Jane McKeever, President of AT&T Government Markets, "exceeded our highest expectations." The use of the system, reduced the number of responses made by patrol officers by over 600,000. It has served as a national and international model in support of President Clinton's call to the Federal Communications Commission to establish a national non-emergency number. Substantial savings and improved customer service have resulted as police are able to focus on critical public safety calls and expanded community policing. The City's Program Performance Measurement Project was expanded from 8 to 19 agencies. A database and computer reporting application was developed and training was provided to agency heads and managers in

work process management. The Finance Department implemented a “Just in Time” purchasing system, a pilot credit card purchasing program, and an increase in the Direct Payment Order limit, all of which have resulted in expediting and reducing costs of the purchasing process. The Department of Public Works reduced overtime costs in its residential and public area waste, trash and debris removal programs by nearly \$2 million.

Major Future Initiatives

While funding innovative programs, and producing balanced budgets, continued budgetary improvements must be realized in order to balance expenditure requirements with the limited growth that the City has in its own source-local revenue base. The City has continued its annual contribution to the budget stabilization fund, which at June 30, 1998 had a balance of \$8.628 million, and will fund the reserve in fiscal 1999. To achieve future budgetary savings, a key initiative in the coming year will be to more closely link the program performance objectives to the budgetary process in the preparation of the fiscal 2000 budget.

Information Technology

The City’s Information Technology Board (ITB), established by the Mayor in January 1997, has assumed overall coordination of the City’s Year 2000 Compliance Program. In September 1997, the ITB directed the establishment of a Committee of Information Technology (CIT) representatives, requiring each City department and agency to select a member to serve on this body. The CIT meets monthly and is the focal point for departmental year 2000 efforts.

The City will soon ratify a partnership agreement with the New Baltimore City Board of School Commissioners for the joint development of a comprehensive new business system. These Oracle based systems are scheduled to be implemented during fiscal years 1999-2000 and will replace decades old internally developed applications.

In October 1998, the City awarded its first comprehensive network administration contract. The three-year award allows the City to effectively compete for the scarce technically skilled personnel needed to establish and maintain complex information exchange networks.

FINANCIAL INFORMATION

Accounting System and Budgetary Control

The City’s accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The accounting and financial reporting policies of the City included in this report conform to generally accepted accounting principles (GAAP) and reporting standards as promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA) and other appropriate sources. The financial statements of the General, Special Revenue, Debt Service, Capital Projects and Expendable Trust Funds are prepared on the modified accrual basis of accounting, whereby revenues are recorded when they become both measureable and available to finance expenditures of the current period. Expenditures are generally recorded when goods and services are received and actual liabilities are incurred and become payable with expendable available financial resources. The financial statements of the Enterprise, Internal Service, Nonexpendable Trust and Pension Trust Funds are prepared on the accrual basis of accounting whereby revenues/additions are recorded at the time they are earned and expenses/deductions are recorded when liabilities are incurred. Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the General, Special Revenue and Capital Projects Funds. Encumbrances are treated as a reservation of fund balance for these funds.

In developing and evaluating the City’s accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and its amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs, and auditors’ report on compliance and on internal control over financial reporting, is included in the separate single audit report.

Budgetary control is maintained at the agency level in accordance with the Ordinance of Estimates as mandated by the Charter of Baltimore City for each operating fund and at the project level for each capital project by the encumbrance of estimated purchase or contract amounts prior to the release of purchase orders to vendors.

General Fund Operations

The General Fund accounts for all revenues and expenditures which are not accounted for in other funds. It is the principal fund of the City and finances most City governmental functions.

General Fund budgetary revenues and other financing sources totaled \$872,393,000 for fiscal year 1998, as compared to \$1,175,829,000 for fiscal year 1997, a decrease of \$303,436,000 or 25.8%. Property taxes produced 53.3% of these revenues in fiscal year 1998 as compared to 39.8% in fiscal year 1997. The following tabulation shows the source of these revenues.

Source	Fiscal 1998 Amount (In Thousands)	Percent of Total	Increase (Decrease) From Fiscal 1997 (In Thousands)	Percent of Increase (Decrease)
Local taxes:				
Property.....	\$464,806	53.3%	\$ (3,642)	(.8)%
Income	137,748	15.8	11,273	8.9
Other	78,073	9.0	(1,538)	(1.9)
Licenses and permits	18,099	2.1	622	3.5
Fines and forfeitures	2,219	.3	(67)	(2.9)
Interest, rentals and other investment income	32,645	3.7	(1,424)	(4.2)
Federal, state, and other grants:				
Education			(334,893)	(100.0)
Other grants	67,135	7.7	15,849	30.9
Charges for current services	31,965	3.6	1,209	3.9
Other	14,262	1.6	9,825	221.5
Transfers from other funds	25,441	2.9	(650)	(2.5)
Totals	\$872,393	100.0%	\$(303,436)	(25.8)%

Revenues from real and personal property taxes in fiscal year 1998 decreased \$3,642,000 or .8% compared to the prior year, with a constant property tax rate of \$5.85 per \$100 of assessed valuation.

Assessed valuations of all taxable property were \$8.126 billion, a decrease of 1% over fiscal year 1997. Real property assessed valuations totaled \$6.821 billion, a decrease of .6% over the previous year.

The City's 1998 total property tax levy was \$475,125,000, of which \$461,022,000 or 97% was collected through June 30, 1998, which compares to 96.6% for the previous year. Delinquent tax collections were \$2,195,000 higher than in fiscal year 1997. The ratio of total tax collections to the current tax levy was 99%, compared to 98.1% last year.

Income tax revenue for fiscal year 1998 was up \$11,273,000 over the prior year due to the improvement in the economy.

Effective with the transfer of the operation of the Department of Education to the New Baltimore City Board of School Commissioners, revenues in the amount of \$417,848,000 representing state grants for Education are now recorded in the discretely presented component unit. This resulted in a fiscal year 1998 decrease of general fund revenues of \$334,893,000 over fiscal year 1997. In addition, other State aid to the City increased by \$15,849,000 over fiscal year 1997.

Other revenues increased by \$9,825,000 from last year, attributable primarily to non-recurring events.

Budgetary based expenditures and encumbrances and other financing uses totaled \$863,833,000 for fiscal year 1998 as compared to \$1,164,573,000 for fiscal year 1997, a decrease of \$300,740,000 or 25.8%, as shown in the following tabulation:

Function	Fiscal 1998 Amount (In Thousands)	Percent of Total	Increase (Decrease) From Fiscal 1997 (In Thousands)	Percent of Increase (Decrease)
General government	\$182,793	21.2%	\$ 27,576	17.8%
Public safety and regulation	295,855	34.3	21,198	7.7
Conservation of health	22,791	2.6	(1,276)	(5.3)
Social services	810	.1	(186)	(18.7)
Education	909	.1	(542,157)	(99.8)
Public library	16,683	1.9	358	2.2
Recreation and culture	36,730	4.2	(1,502)	(3.9)
Highways	818	.1	(684)	(45.5)
Sanitation and waste removal	30,242	3.5	(1,282)	(4.1)
Public service	9,414	1.1	286	3.1
Economic development	18,866	2.2	4,774	33.9
Transfers to other funds	53,850	6.2	(1,917)	(3.4)
Transfers to component units	194,072	22.5	194,072	100.0
Totals	\$863,833	100.0%	\$(300,740)	(25.8)%

Effective with the transfer of the operation of the Department of Education to the New Baltimore City Board of School Commissioners, education expenditures are now recorded in the discretely presented component unit. This resulted in a fiscal year 1998 decrease of general fund expenditures of \$542,157,000 over fiscal year 1997.

Public safety and regulation increased by \$21,198,000 or 7.7% from fiscal year 1997. This increase is attributed to a one time reduction related to the City's contribution for the Fire and Police Employees' Retirement System that occurred in fiscal year 1997.

Transfers to other funds decreased \$1.9 million attributed, primarily, to an increase in the amount forwarded to the Debt Service Fund from \$32 million in fiscal year 1997 to \$39 million in fiscal year 1998, and a decrease in the amount forwarded to the Capital Projects Fund for pay-as-you-go projects from \$21.3 million in fiscal year 1997 to \$12.4 million in fiscal year 1998.

The City concluded fiscal year 1998 with an unreserved fund balance, on the budgetary basis, of \$32,379,000. Of this amount, \$26,258,000 has been designated for subsequent year's expenditures. After allocating \$3,516,000 to satisfy additional liabilities recorded under GAAP, there remains an undesignated fund balance of \$2,605,000 on a GAAP basis.

Special Revenue Funds

These funds are used to account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to be expended for specific purposes. Following are comments on the individual funds included under this category.

Grants Revenue Fund — The City government currently administers approximately 500 Federal, State and other sources supported grant programs in this fund. For fiscal year 1998, a total of \$215,544,000 was expended for various governmental operating functions which were supported from the following funding sources:

Source	Amount (In Thousands)
Federal grants	\$157,855
State grants	53,770
Other grants	3,919
Total	<u>\$215,544</u>

Grant appropriations are not closed out annually, but are carried forward to succeeding fiscal years as on-going programs until concluded or otherwise liquidated.

Motor Vehicle Fund — This fund was established to account for highway user revenues distributed to Baltimore City by the State of Maryland which must be used for the construction, reconstruction or maintenance of the streets and highways in Baltimore City and other related activities as provided for under applicable provisions of the State law.

Budgetary basis revenues credited to this fund, from State distributions and other sources, in fiscal year 1998 were \$165,788,000. Expenditures and encumbrances and other financing uses totaled \$170,926,000 for the year. At June 30, 1998, unreserved fund balance, on the budgetary basis, was \$1,078,000.

Community Development Block Grant Fund — This fund was established to account for the financial activities of Federal grant entitlements awarded to the City by the U.S. Department of Housing and Urban Development under provisions of Title I of the Housing and Community Development Act of 1974. Generally, these grants replace a number of former categorical grant programs for certain urban renewal, neighborhood development and model cities activities. These grants, which are awarded annually, do not have termination dates for incurring expenditures and remain open until fully expended by grant years. During fiscal year 1998, the City recorded revenues of \$28,193,000 in Federal funds for a like amount of incurred expenditures and financing uses.

Special Racetrack Fund — This fund accounts for State distributions of certain horse racing tax revenues to assist in the funding of services and facilities located within six miles of specified race tracks. During fiscal year 1998, the City received from the State a total of \$584,000 and had recorded expenditures and encumbrances and other financing uses for the year totaling \$769,000. At June 30, 1998, fund balance on the budgetary basis was \$296,000, of which \$23,000 was appropriated for fiscal year 1999 operations.

Enterprise Funds

The Enterprise Funds account for those operations that are financed and operated in a manner similar to a private business enterprise, where the cost (expenses, including depreciation) of providing services to the general public is recovered in whole or in part through user charges.

The following summary (amounts expressed in thousands) reflects results of operations for the Enterprise Funds for the current fiscal year:

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non- Operating Revenues (Expenses)	Operating Transfers (Out)	Operating Transfers In	Net Income (Loss)
Water Utility.....	\$ 68,707	\$ 65,499	\$ 3,208	\$ (916)			\$2,292
Waste Water Utility	103,643	100,749	2,894	141			3,035
Parking Facilities	37,283	4,891	32,392	(6,545)	\$(25,441)		406
Loan and Guarantee Program	3,683	5,874	(2,191)			\$1,727	(464)
Industrial Development Authority	4,871	4,411	460				460

Retirement Plans

Professional employees of the New Baltimore City Board of School Commissioners and the Enoch Pratt Free Library are members of the State of Maryland Retirement System to which the City is not required to contribute. The City contributes to four retirement plans established for all other City employees and elected officials.

City laws require that contributions to its three funded pension systems be based on actuarial valuations. City contributions to the old Unfunded Fire and Police Plan (for eligible employees hired prior to January 1, 1947, all of whom are now retired) are not actuarially determined and are equal to the benefits paid.

The City's contributions to its pension systems for fiscal year 1998, and the actuarial accrued liability (excess) at June 30, 1998 (expressed in thousands) are as follows:

	City Contributions FY 1998	Actuarial Accrued Liability (Excess) at June 30, 1998
Fire and Police Employees' Retirement System (F&P)	\$13,831	\$(63,440)
Employees' Retirement System (ERS)	20,990	(30,767)
Elected Officials' Retirement System (EOS)	351	(1,853)
Unfunded Fire and Police Plan	6,603	36,484
	<u>\$41,775</u>	

The funding periods of the actuarial accrued liabilities of the F&P, ERS and EOS are 20, 20 and 10 years, respectively. The Unfunded Fire and Police Plan is on a pay-as-you-go basis and since all of its members are retired, the City expects to continue to fund this plan in accordance with the present method.

Debt Administration

The ratio of net general bonded debt to assessed valuation and the amount of net general bonded debt per capita are useful indicators of the City's debt position and are listed below:

	<u>1998</u>	<u>1997</u>
Ratio of net general bonded debt to assessed valuation	4.8%	4.4%
Net general bonded debt per capita	\$595	\$542

The following is a summary of general obligation debt activity (expressed in thousands) for fiscal year 1998:

Gross general bonded debt outstanding, July 1, 1997.....	\$441,435
Add:	
Bond sales, note sales, and accretion	<u>73,508</u>
Subtotal	514,943
Deduct:	
Bonds and notes redeemed in fiscal year 1998	<u>57,904</u>
Gross general bonded debt outstanding, June 30, 1998	457,039
Deduct:	
Self-supporting debt	39,097
Funds available in Debt Service Fund	<u>30,379</u>
Net general bonded debt, June 30, 1998	<u>\$387,563</u>

The preceding totals do not include \$13,875,000 borrowed from the State of Maryland for capital construction purposes which are not general obligation debt of the City as defined in the Maryland Constitution and the City is not required to levy taxes to meet the debt service requirements. The debt service is withheld by the State Comptroller from payments due the City as its share of distributions primarily from income taxes and highway user revenues.

Temporary Investment of Cash Balances

The City, through the Office of the Director of Finance, pursues an aggressive cash management and investment program to achieve maximum financial return on available funds. Depending on cash needs, excess funds are invested on a short, intermediate or long-term basis at best obtainable rates. Investments are limited generally to direct or indirect obligations of the U.S. government and fully collateralized repurchase agreements.

The City utilizes the practice of recording investment income in the period in which it is earned. Investment income for fiscal year 1998 totaled \$23,123,000, for an effective yield of 5.6%. Earnings on investments include those funds which participate in the City's consolidated cash account. Not included are the Community Development Finance Corporation, Industrial Development Authority Fund, and Pension Trust Funds.

Risk Management

The City is self-insured in the area of casualty and property losses, including the uninsured portion of losses to City building and contents, vehicles, watercraft, boilers, machinery, workers' compensation and employers' liability, employees' health insurance, third party general liability and automobile liability losses. The fund is administered by the Office of Risk Management.

Operating revenues in the Risk Management Fund totaled \$200.8 million in the fiscal year ended June 30, 1998. Operating expenses, including claims paid and incurred, totaled \$196 million for the year ended June 30, 1998. The Risk Management Fund's accumulated deficit at June 30, 1998 was \$20.8 million.

By charging premiums in excess of that needed to cover expected operating expenses, including claims paid and incurred, the City expects to eliminate the accumulated deficit in the Risk Management Fund over the next ten years.

Independent Audit

The City Charter established a Department of Audits under the general supervision of the City Comptroller. The Charter requires the City Auditor to "annually make a general comprehensive public report of the financial position of the City; in the discretion of the Comptroller, such report may be in the form of an opinion on the annual financial statements prepared by the Director of Finance." The Comptroller has elected to have the City Auditor render an opinion as to the fairness of

the Director of Finance's presentation of the City's general purpose financial statements. Additionally, the Board of Estimates awarded a contract to the nationally recognized independent certified public accounting firm, KPMG Peat Marwick LLP, to perform a joint audit with the City Auditor of the general purpose financial statements of the City for the year ended June 30, 1998. Their joint audit report is contained herein.

Future Operations

The General Fund adopted budget for fiscal 1999 estimates revenues and other financing sources at \$887,589,000 and includes \$44,769,000 for capital projects pay-as-you-go construction programs.

Overall, the General Fund fiscal 1999 budget reflects an increase of \$59,728,000 over the prior year, attributed principally to increased State aid. Wage and salary scales for fiscal year 1999 have increased for most City employees.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baltimore, Maryland, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1997.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

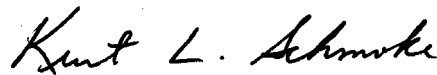
Acknowledgements

The preparation of this annual report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Bureau of Accounting and Management Information Services of the Department of Finance. We wish to express our appreciation to all members of the Bureau who assisted and contributed to its preparation. Special consideration is afforded to the following individuals for their extra effort in putting together this report.

John Jakubik, Accounting Systems Analyst II
David Pivec, Accounting Systems Analyst II
Isser Goldsmith, Accounting Systems Analyst II
Abera Gebre, Accountant I

We are also grateful to the City's independent auditors, KPMG Peat Marwick LLP and the City Auditor for the professional assistance and advice they provided during the course of their audit. Finally, we would like to thank the members of the Board of Estimates and City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



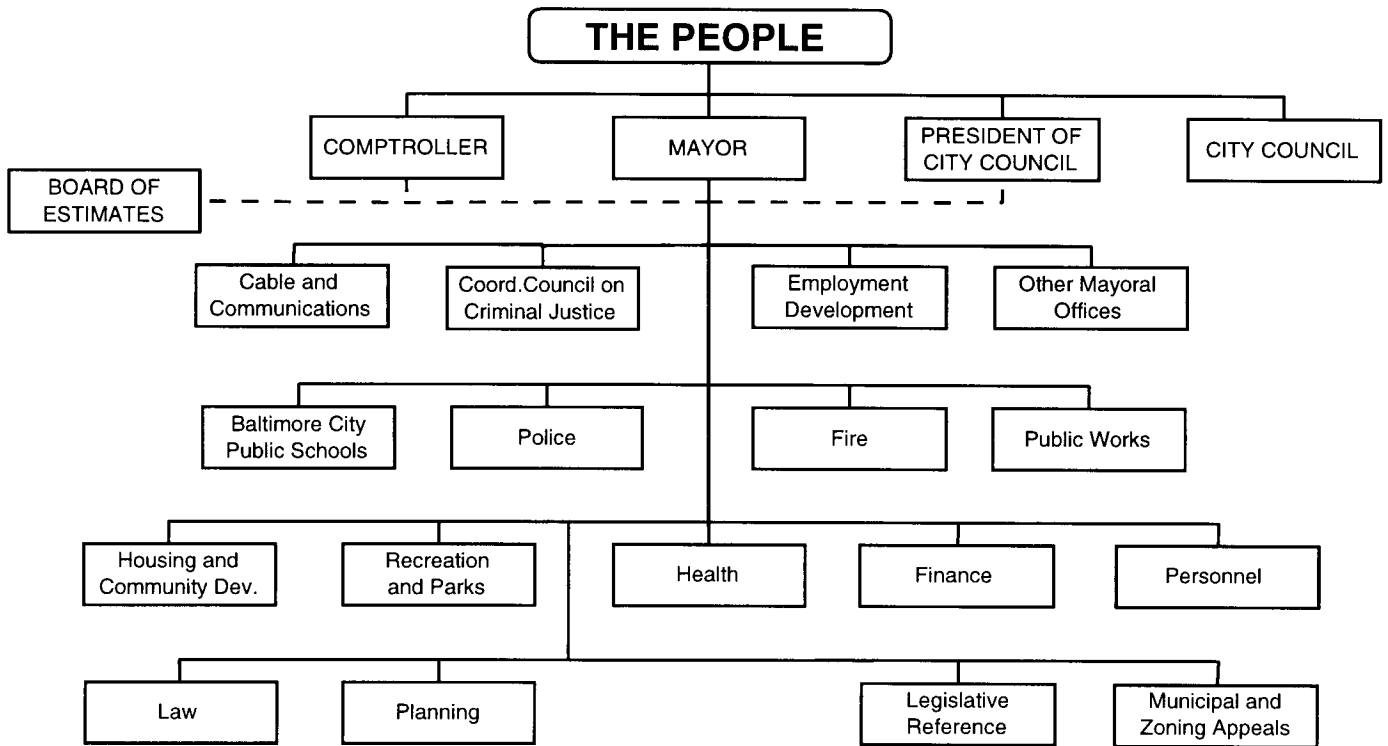
KURT L. SCHMOKE
Mayor



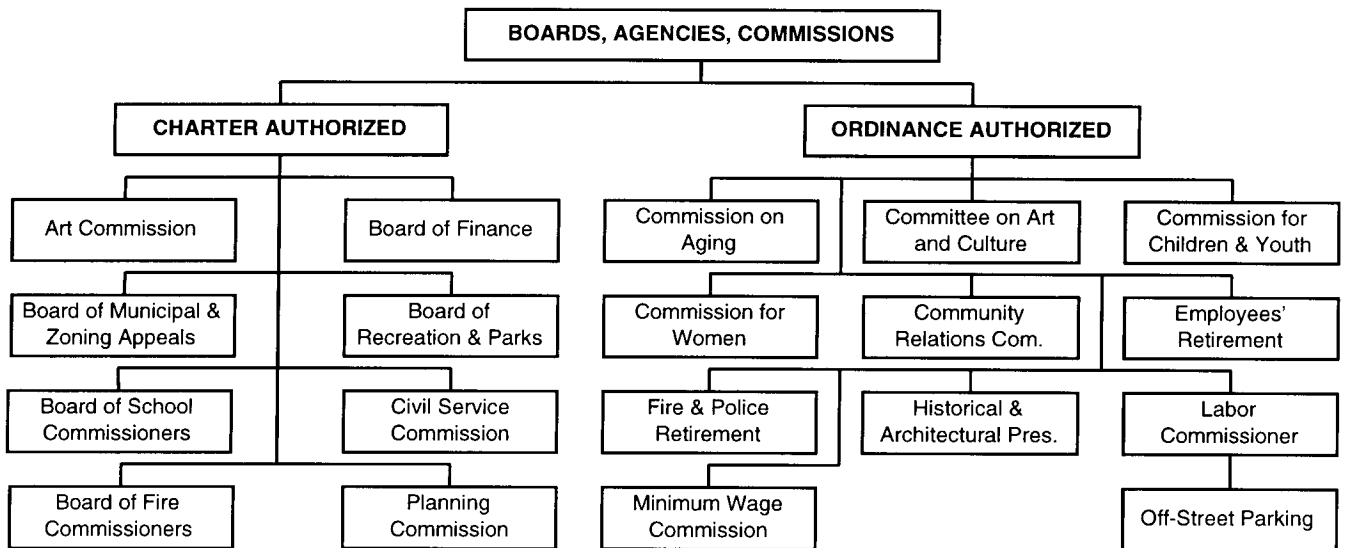
WILLIAM R. BROWN, JR.
Director of Finance

MUNICIPAL ORGANIZATION CHART

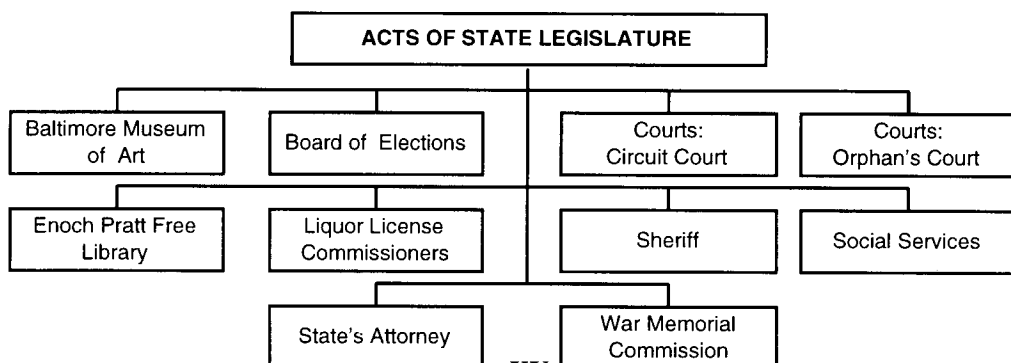
THE PEOPLE



BOARDS, AGENCIES, COMMISSIONS



ACTS OF STATE LEGISLATURE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Baltimore,
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting,



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director



FINANCIAL SECTION

Comprehensive Annual Financial Report
Year Ended June 30, 1998



CITY OF BALTIMORE

KURT L. SCHMOKE, Mayor

DEPARTMENT OF AUDITS

Room 321, City Hall
Baltimore, Maryland 21202



Peat Marwick LLP

111 South Calvert Street
Baltimore, MD 21202

Independent Auditors' Report

December 4, 1998

The Mayor, City Council, Comptroller and
Board of Estimates of the City of Baltimore, Maryland:

We have audited the accompanying general purpose financial statements of the City of Baltimore, Maryland, as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the New Baltimore City Board of School Commissioners and the Community Development Finance Corporation, the discretely presented component units. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. The financial statements of the Community Development Finance Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the Year 2000 issue. The City of Baltimore, Maryland has included such disclosures in Note 20. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the City of Baltimore, Maryland's disclosures with respect to the Year 2000 issue made in Note 20. Further, we do not provide assurance that the City of Baltimore, Maryland is, or will be, Year 2000 ready, that the City of Baltimore, Maryland's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City of Baltimore, Maryland does business will be Year 2000 ready. In addition, the report of the auditors on the New Baltimore City Board of School Commissioners was qualified for the same reasons.

In our opinion, based upon our audit and the reports of other auditors and, except for the effects of such adjustments, if any, as might have been determined to be necessary had we and the other auditors been able to examine evidence regarding Year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Baltimore, Maryland as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Baltimore, Maryland. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures as explained in the third paragraph of this report, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

As discussed in Note 3 to the general purpose financial statements, the City adopted Statements 31 and 32 of the Governmental Accounting Standards Board and also changed its methodology for estimating its liability for claims in progress in the Internal Service Funds effective July 1, 1997. Additionally, as discussed in Note 1 (A) to the general purpose financial statements, effective July 1, 1997, the New Baltimore City Board of School Commissioners is reported as a discretely presented component unit.

The other data included in this report have not been audited by us and, accordingly, we express no opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 4, 1998, on our consideration of the City of Baltimore, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Yovonda D. Brooks, CPA
City Auditor
Department of Audits

KPMG Peat Marwick LLP
Independent Certified
Public Accountants

CITY OF BALTIMORE
Combined Balance Sheet
All Fund Types, Account Groups and Discretely Presented Component Units
June 30, 1998

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Units		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Board of School Commissioners	Community Development Finance Corp.	Reporting Entity
ASSETS AND OTHER DEBITS													
Cash and cash equivalents	\$ 48,487	\$ 4,651	\$ 5,064	\$ 5,995	\$ 122,725	\$ 75,469	\$ 69,968			\$ 332,359	\$ 19,587	\$15,580	\$ 367,526
Investments	42,674		24,338	92,276	1,368	15,059	3,364,769			3,540,484	2,595		3,543,079
Property taxes receivable	14,400									14,400			14,400
Other accounts receivable, net	21,517	479	136	8,898	48,150	2,853				82,033	7,554	134	89,721
Due from other governments	11,885	87,802								99,687	37,830		137,517
Due from other funds	21,738		1,295	18,021						41,054			41,054
Due from component units	14,642									14,642			14,642
Notes and mortgages receivable, net .	15,000	4,055	9,885		62,261					91,201		25,798	116,999
Inventories, at cost	4,838	1,275			2,831	313				9,257	1,121		10,378
Other assets	5,156	122		245	10,827	266	11,535			28,151		4,238	32,389
Restricted assets:													
Cash and cash equivalents					60,400					60,400			60,400
Investments					24,506					24,506			24,506
Accounts receivable, net					32,336					32,336			32,336
Due from other funds					12,777					12,777			12,777
Property, plant and equipment, net ...					1,178,419	46,413		\$2,047,737		3,272,569	15,090		3,287,659
Amount available in debt service fund for retirement of general long-term debt									\$ 30,379	30,379			30,379
Resources to be provided in future years									737,165	737,165	54,221		791,386
Total assets and other debits	\$200,337	\$98,384	\$40,718	\$125,435	\$1,556,600	\$140,373	\$3,446,272	\$2,047,737	\$767,544	\$8,423,400	\$137,998	\$45,750	\$8,607,148

(Continued)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Units		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Board of School Commissioners	Community Development Finance Corp.	Reporting Entity
LIABILITIES, EQUITY AND OTHER CREDITS													
Liabilities:													
Accounts payable and accrued liabilities .	\$ 46,159	\$21,907		\$ 7,700	\$ 17,605	\$ 3,545	\$ 6,520			\$ 103,436	\$ 36,012	\$ 768	\$ 140,216
Retainages payable				5,243						5,243			5,243
Property taxes payable — State	470									470			470
Due to other funds.....	1,295	20,141			30,798	1,597				53,831			53,831
Due to primary government.....											14,642		14,642
Due to other governments.....					1,701					1,701			1,701
Deposits subject to refund.....	6,879				9					6,888			6,888
Estimated liability for claims in progress.						90,235				90,235			90,235
Other liabilities					18,300	3,730				22,030	4,480	11,815	38,325
Accounts payable from restricted assets ..					11,395					11,395			11,395
Deferred revenue	67,674	41,032	\$ 9,885		750					119,341	8,567		127,908
Vested compensated absences.....								\$ 58,763		58,763	54,221		112,984
Notes payable.....					314					314			314
Revenue bonds payable, net.....					469,252				58,515	527,767		16,130	543,897
Matured bonds — principal and interest payable			454							454			454
General long-term debt payable.....					7,163				480,258	487,421			487,421
Capital lease obligations.....									161,480	161,480			161,480
Landfill closure and postclosure liability .									8,528	8,528			8,528
Total liabilities	122,477	83,080	10,339	12,943	557,287	99,107	6,520		767,544	1,659,297	117,922	28,713	1,805,932
Equity and other credits:													
Investment in general fixed assets								\$2,047,737		2,047,737	15,090		2,062,827
Contributed capital					881,637	55,847				937,484			937,484
Retained earnings:													
Reserved for:													
Revenue bond retirements					49,458					49,458			49,458
Unreserved (deficit).....					68,218	(14,581)				53,637		17,037	70,674
Fund balances:													
Reserved for:													
Budget stabilization	8,628									8,628			8,628
Landfill closure.....	8,133									8,133			8,133
Encumbrances	25,649	2,210		88,028						115,887	3,691		119,578
Inventories.....	4,838	1,275								6,113	384		6,497
Other assets.....	1,749	122								1,871			1,871
Pension benefits							3,431,568			3,431,568			3,431,568
Library services							1,927			1,927			1,927
Scholarships and memorials							6,257			6,257			6,257
Unreserved:													
Designated for:													
Debt service.....			30,379							30,379			30,379
Subsequent year's expenditures ...	26,258	10,320								36,578			36,578
Undesignated	2,605	1,377		24,464						28,446	911		29,357
Total equity and other credits ..	77,860	15,304	30,379	112,492	999,313	41,266	3,439,752	2,047,737		6,764,103	20,076	17,037	6,801,216
Total liabilities, equity and other credits	\$200,337	\$98,384	\$ 40,718	\$125,435	\$1,556,600	\$140,373	\$3,446,272	\$2,047,737	\$767,544	\$8,423,400	\$137,998	\$45,750	\$8,607,148

See notes to general purpose financial statements.

CITY OF BALTIMORE
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types, Expendable Trust Fund and Discretely Presented Component Unit
for the year ended June 30, 1998

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government	Board of School Commissioners	Reporting Entity
Revenues:								
Taxes — local	\$ 680,627					\$ 680,627		\$ 680,627
State shared revenue		\$156,765				156,765		156,765
Licenses and permits	18,099	166				18,265		18,265
Fines and forfeitures	2,219					2,219		2,219
Interest, rentals and other investment income..	32,645	7,201	\$ 825	\$ 13,578	\$ 119	54,368		54,368
Federal grants	45	186,048		12,493		198,586	\$ 82,590	281,176
State grants	68,437	53,770				122,207	501,289	623,496
Other grants	165	3,919				4,084	23,130	27,214
Charges for current services	31,965	2,226				34,191	7,252	41,443
Miscellaneous	14,262	14	392	6,628	662	21,958	15,095	37,053
Total revenues	848,464	410,109	1,217	32,699	781	1,293,270	629,356	1,922,626
Expenditures:								
Current:								
General government	182,438	42,335				224,773		224,773
Public safety and regulation	296,806	50,527				347,333		347,333
Conservation of health	21,593	123,572				145,165		145,165
Social services	963	17,475				18,438		18,438
Education	1,080				40	1,120	802,574	803,694
Public library	18,239	4,074				22,313		22,313
Recreation and culture	35,954	3,221				39,175		39,175
Highways and streets	785	96,125				96,910		96,910
Sanitation and waste removal	31,224					31,224		31,224
Public service	9,609					9,609		9,609
Economic development	18,586	21,008		16,902		56,496		56,496
Capital outlay				171,249		171,249	34,090	205,339
Debt Service:								
Principal retirements:								
City bonds			12,641			12,641		12,641
Bond anticipation notes			3,084			3,084		3,084
State construction loans			3,277			3,277		3,277
Federal loans			3,721			3,721		3,721
Other Loans			374			374		374
Interest payments:								
City bonds			23,325			23,325		23,325
Bond anticipation notes			699			699		699
State construction loans			952			952		952
Federal loans			919			919		919
Revenue bonds			3,265			3,265		3,265
Fiscal charges			3,219			3,219		3,219
Total expenditures	617,277	358,337	55,476	188,151	40	1,219,281	836,664	2,055,945
Excess (deficiency) of revenues over expenditures	231,187	51,772	(54,259)	(155,452)	741	73,989	(207,308)	(133,319)
Other financing sources (uses):								
Proceeds from capital leases				67,954		67,954		67,954
Proceeds from federal loans				3,835		3,835		3,835
Proceeds from general obligation bonds				74,201		74,201		74,201
Proceeds from refunding revenue bonds				58,515		58,515		58,515
Transfer to refunding escrow agent				(104,088)		(104,088)		(104,088)
Operating transfers in	25,441		48,153	60,212		133,806		133,806
Operating transfers from primary government ..							200,093	200,093
Operating transfers out	(53,850)	(51,636)		(4,605)		(110,091)		(110,091)
Operating transfers to component unit	(195,439)	(4,654)				(200,093)		(200,093)
Total other financing sources (uses) ...	(223,848)	(56,290)	48,153	156,024		(75,961)	200,093	124,132
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources (uses)	7,339	(4,518)	(6,106)	572	741	(1,972)	(7,215)	(9,187)
Fund balances, July 1, 1997	70,037	19,822	36,485	124,605	2,067	253,016		253,016
Residual equity transfer	484			(12,685)		(12,201)	12,201	
Fund balances, June 30, 1998	\$ 77,860	\$ 15,304	\$ 30,379	\$ 112,492	\$ 2,808	\$ 238,843	\$ 4,986	\$ 243,829

See notes to general purpose financial statements.

CITY OF BALTIMORE

**Combined Statement of Revenues, Expenditures and Encumbrances and
Changes in Fund Balance Budget and Actual — Budgetary Basis — General and Budgeted Special Revenue Funds
for the year ended June 30, 1998**

(Expressed in Thousands)

	General Fund			Budgeted Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes — local	\$ 670,208	\$ 680,627	\$10,419			
State shared revenue				\$156,892	\$156,765	\$ (127)
Licenses and permits	17,618	18,099	481	250	166	(84)
Fines and forfeitures	2,018	2,219	201			
Interest, rentals and other investment income	33,150	32,645	(505)	6,438	7,201	763
Federal grants	80	45	(35)			
State grants	67,073	66,925	(148)			
Other grants	165	165				
Charges for current services	31,608	31,965	357	2,146	2,226	80
Miscellaneous	4,338	14,262	9,924	1	14	13
Total revenues	826,258	846,952	20,694	165,727	166,372	645
Expenditures and encumbrances:						
General government	184,294	182,793	1,501	12,091	11,574	517
Public safety and regulation	296,377	295,855	522	30,929	30,875	54
Conservation of health	22,925	22,791	134			
Social services	969	810	159			
Education	926	909	17			
Public library	16,948	16,683	265			
Recreation and culture	37,092	36,730	362	12	12	
Highways and streets	818	818		77,910	79,060	(1,150)
Sanitation and waste removal	32,212	30,242	1,970			
Public service	9,423	9,414	9			
Economic development	19,351	18,866	485	69	69	
Total expenditures and encumbrances	621,335	615,911	5,424	121,011	121,590	(579)
Excess of revenues over expenditures and encumbrances	204,923	231,041	26,118	44,716	44,782	66
Other financing sources (uses):						
Operating transfers in	23,550	25,441	1,891			
Operating transfers out	(51,046)	(53,850)	(2,804)	(46,786)	(45,451)	1,335
Operating transfers to component unit	(194,197)	(194,072)	125	(4,654)	(4,654)	
Total other financing sources (uses)	(221,693)	(222,481)	(788)	(51,440)	(50,105)	1,335
Excess (deficiency) of revenues and other financing sources over expenditures and encumbrances and other financing uses	(16,770)	8,560	25,330	(6,724)	(5,323)	1,401
Fund balances, July 1, 1997 (budgetary basis)	46,683	46,683		18,702	18,702	
Residual equity transfer		484	484			
Fund balances, June 30, 1998 (budgetary basis)	<u>\$ 29,913</u>	55,727	<u>\$25,814</u>	<u>\$ 11,978</u>	13,379	<u>\$ 1,401</u>
Adjustments required under generally accepted accounting principles:						
Elimination of encumbrances outstanding		25,649			2,210	
Accounts payable not recorded for budgetary purposes		(3,516)			(285)	
Fund balances, June 30, 1998 (GAAP basis)		<u>\$ 77,860</u>			<u>\$ 15,304</u>	

See notes to general purpose financial statements.

CITY OF BALTIMORE
Combined Statement of Revenues, Expenses and Changes in Equity
All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Unit
for the year ended June 30, 1998

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types	Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Primary Government	Community Development Finance Corp.	Reporting Entity
Operating revenues:						
Charges for services, net	\$215,818	\$262,459		\$ 478,277		\$ 478,277
Interest and other investment income	2,369		\$ 282	2,651	\$ 3,980	6,631
Contributions					423	423
Total operating revenues	218,187	262,459	282	480,928	4,403	485,331
Operating expenses:						
Salaries and wages	52,873	20,440		73,313		73,313
Other personnel costs	16,876	6,017		22,893		22,893
Contractual services	57,930	22,271		80,201		80,201
Materials and supplies	10,651	9,324		19,975		19,975
Minor equipment	2,463	93		2,556		2,556
Claims paid and incurred:						
General liability		9,222		9,222		9,222
Property and casualty		639		639		639
Workers' compensation		24,636		24,636		24,636
Unemployment		1,691		1,691		1,691
Automobile — animal liability		2,047		2,047		2,047
Medical		149,813		149,813		149,813
Postage and delivery service		826		826		826
General government overhead	8,757			8,757		8,757
Bad debts	1,580			1,580	863	2,443
Depreciation	20,136	7,337		27,473		27,473
Benefits paid			507	507		507
Program expenses	5,660			5,660	1,259	6,919
Amortization of bond issuance costs	383			383		383
Interest	4,115			4,115	2,038	6,153
Total operating expenses	181,424	254,356	507	436,287	4,160	440,447
Operating income (loss)	36,763	8,103	(225)	44,641	243	44,884
Non-operating revenues (expenses):						
Investment income		698		698		698
Interest expense	(7,311)			(7,311)		(7,311)
Loss on sale of property		(634)		(634)		(634)
Loss on sale of investments	(9)			(9)		(9)
Net non-operating revenues (expenses)	(7,320)	64		(7,256)		(7,256)
Income (loss) before operating transfers	29,443	8,167	(225)	37,385	243	37,628
Operating transfers in	1,727			1,727		1,727
Operating transfers out	(25,441)			(25,441)		(25,441)
Net income (loss)	5,729	8,167	(225)	13,671	243	13,914
Add depreciation on fixed assets acquired by contributed capital	7,686			7,686		7,686
Increase (decrease) in retained earnings	13,415	8,167	(225)	21,357	243	21,600
Retained earnings (deficit)/fund balance — July 1, 1997	104,261	(41,230)	5,601	68,632	16,794	85,426
Change in accounting for unpaid claims (Note 3)		18,482		18,482		18,482
Retained earnings (deficit)/fund balance — July 1, 1997, as restated	104,261	(22,748)	5,601	87,114	16,794	103,908
Retained earnings (deficit)/fund balance — June 30, 1998	117,676	(14,581)	5,376	108,471	17,037	125,508
Contributed capital — July 1, 1997	850,378	51,770		902,148		902,148
Additions, net	38,945	4,077		43,022		43,022
Less depreciation on fixed assets acquired by contributed capital	(7,686)			(7,686)		(7,686)
Contributed capital — June 30, 1998	881,637	55,847		937,484		937,484
Total equity — June 30, 1998	\$999,313	\$ 41,266	\$5,376	\$1,045,955	\$17,037	\$1,062,992

See notes to general purpose financial statements.

CITY OF BALTIMORE
Combined Statement of Cash Flows
All Proprietary Fund Types and Nonexpendable Trust Funds and Discretely Presented Component Unit
for the year ended June 30, 1998

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types	Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Primary Government	Community Development Finance Corp.	Reporting Entity
Cash flows from operating activities:						
Operating income (loss)	\$ 36,763	\$ 8,103	\$ (225)	\$ 44,641	\$ 243	\$ 44,884
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	20,136	7,337		27,473	68	27,541
Interest and other investment income			(282)	(282)	(19)	(301)
Amortization of bond issuance cost	383			383		383
Mortgage receivable principal repayments	1,208			1,208	12,866	14,074
(Increase) decrease in notes receivable	3,501			3,501	(11,894)	(8,393)
(Increase) decrease in accounts receivable	(4,263)	3,390		(873)		(873)
Decrease in due from other governments	1,710			1,710		1,710
(Increase) decrease in inventories	152	(25)		127		127
(Increase) in issuance costs	(1,983)			(1,983)		(1,983)
(Increase) decrease in other assets	70	60	9	139	(237)	(98)
Increase (decrease) in accounts payable and accrued liabilities	(561)	(1,401)		(1,962)	22	(1,940)
Increase in estimated liability for claims in progress		4,661		4,661		4,661
Increase in other liabilities	1,175	590		1,765		1,765
(Decrease) in deferred revenue	(32)			(32)		(32)
Increase in accrued interest payable	1,390			1,390		1,390
Increase (decrease) in notes payable	(38)			(38)	2,500	2,462
Increase (decrease) in due to other funds	(20,702)	291		(20,411)		(20,411)
Increase in due to other governments	1,701			1,701		1,701
Net cash provided (used) by operating activities	40,610	23,006	(498)	63,118	3,549	66,667
Cash flows from non-capital financing activities:						
Operating transfers in	1,727			1,727		1,727
Operating transfers out	(25,441)			(25,441)		(25,441)
Net cash used by non-capital financing activities	(23,714)			(23,714)		(23,714)
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds, net	126,256			126,256		126,256
Acquisition and construction of capital assets	(85,791)	(9,398)		(95,189)		(95,189)
Change in restricted assets	(8,504)			(8,504)	(1,081)	(9,585)
Change in restricted accounts payable	(3,409)			(3,409)		(3,409)
Principal paid on revenue bonds	(38,516)			(38,516)		(38,516)
Principal paid on bonds	(12,319)			(12,319)	(695)	(13,014)
Interest paid	(11,786)			(11,786)		(11,786)
Capital contributions — increases	41,609	4,077		45,686		45,686
Capital contributions — decreases	(2,664)			(2,664)		(2,664)
Net cash provided (used) by capital and related financing activities	4,876	(5,321)		(445)	(1,776)	(2,221)
Cash flows from investing activities:						
Proceeds from sale and maturities of mortgages and investment securities	10	5,550	589	6,149	3,694	9,843
Purchase of investments	(60)	(15)		(75)		(75)
Interest and other investment income	4,421	698	282	5,401		5,401
Net cash provided by investing activities	4,371	6,233	871	11,475	3,694	15,169
Net increase in cash and cash equivalents	26,143	23,918	373	50,434	5,467	55,901
Cash and cash equivalents, July 1, 1997	156,982	51,551	1,008	209,541	10,113	219,654
Cash and cash equivalents, June 30, 1998	183,125	75,469	1,381	259,975	15,580	275,555
Cash and cash equivalents (Expendable Trust Fund)			2,529	2,529		2,529
Cash and cash equivalents (Agency Funds)			1,232	1,232		1,232
Cash and cash equivalents (Pension Trust Funds)			64,826	64,826		64,826
Cash and cash equivalents, June 30, 1998	\$183,125	\$75,469	\$69,968	\$328,562	\$ 15,580	\$344,142

See notes to general purpose financial statements.

CITY OF BALTIMORE
Combined Statement of Changes in Plan Net Assets
Pension Trust Funds
for the year ended June 30, 1998
(Expressed in Thousands)

Additions:	
Contributions:	
Employer	\$ 35,172
Employee	7,831
Investment income:	
Net appreciation in fair market value of investments	426,485
Interest and dividend income	<u>151,303</u>
Total additions	<u>620,791</u>
Deductions:	
Retirement allowances	162,220
Death benefits	2,401
Administrative expense	2,575
Other	<u>1,012</u>
Total deductions	<u>168,208</u>
Net increase	452,583
Net assets held in trust for pension benefits:	
July 1, 1997	<u>2,978,985</u>
June 30, 1998	<u>\$3,431,568</u>

See notes to general purpose financial statements.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements

1. The Reporting Entity and Description of Funds and Account Groups:

A. THE REPORTING ENTITY:

The City of Baltimore was incorporated under the laws of the State of Maryland in 1797 and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Baltimore (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as a blended component unit or as discretely presented component units.

Blended component unit. The Baltimore Industrial Development Authority, an entity legally separate from the City, is governed by a Board appointed by the Mayor and is financially accountable to the City government. The Baltimore Industrial Development Authority was established to finance capital construction projects such as water/waste water facilities and office buildings which solely benefit the City. The Baltimore Industrial Development Authority does not provide financing to other governments, private business or individuals. The financial statements of this component unit are, for reporting purposes, blended with that of the primary government.

Discretely presented component units.

New Baltimore City Board of School Commissioners:

Legislation enacted by the 1997 Maryland General Assembly established a new, legally separate, nine member New Baltimore City Board of School Commissioners (Board) which is jointly appointed by the Mayor and Governor. The Board has the authority and responsibility for all system functions including the adoption of rules and regulations, and prescribing policies and procedures for management, maintenance, operation and control of the school system. Prior to this legislation the City's Department of Education operated the school system and was not legally separate from the City. The Board remains financially accountable to the City. Effective July 1, 1997, for financial statement purposes, the Board is now reported as a component unit in a separate column to emphasize that it is legally separate from the City.

The transfer of the Department of Education fund balances to the New Baltimore City Board of School Commissioners has been recorded as a residual equity transfer effective July 1, 1997.

Baltimore Community Development Finance Corporation:

A board appointed by the Mayor governs the Baltimore Community Development Finance Corporation, a separate legal entity from the City. Although this corporation is financially accountable to the City, its purpose is to provide loans for the citizenry's benefit and not that of the primary government. For financial reporting purposes, the Community Development Finance Corporation is reported in a separate column to emphasize that it is legally separate from the City.

Complete financial information regarding the component units, including their financial statements, can be obtained directly from the Director of Finance of Baltimore City, Room 451 City Hall, Baltimore, Maryland 21202.

Related Organizations. The City is responsible for appointing the board members of several entities, but the City's accountability for these organizations does not extend beyond making appointments. These boards include:

Baltimore City Foundation
Lexington Market
Baltimore Area Convention and Visitors Association
City of Baltimore Development Corporation
Empower Baltimore Management Corporation
Special Benefits Taxing Districts

In addition, the Housing Authority of Baltimore City (HABC) is considered a related organization. HABC is a separate legal entity and is governed by a Commission of five citizens appointed to staggered terms by the Mayor. The

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Commission establishes the operating policies of the HABC, which are implemented under the direction of an Executive Director appointed by the Commission. The HABC develops, maintains and manages low-rent housing and administers housing assistance payment programs primarily for the citizenry's benefit and not that of the primary government. These activities are subsidized by the U.S. Department of Housing and Urban Development and other grantors. Consequently, the primary government is not able to exert influence over nor impose a burden relationship upon the HABC. This organization is not financially accountable to the City and maintains its own separate accounting systems.

B. DESCRIPTION OF FUNDS AND ACCOUNT GROUPS:

The City's accounting system is organized and operated on a fund and account group basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with related liabilities and residual equities or fund balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The various funds are grouped by type in the financial statements. The types of funds and account groups maintained by the City are as follows:

Governmental Fund Types:

General Fund — The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds.

Special Revenue Funds — These funds account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes. Special Revenue Funds include the Grants Revenue Fund, Motor Vehicle Fund, Community Development Block Grant Fund and Special Racetrack Fund.

Debt Service Fund — This fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments made by the Enterprise Funds.

Capital Projects Fund — The proceeds of general obligation bond issues, State construction loans, governmental and other grants, and revenues from other sources appropriated for capital improvements, acquisitions and related programs are accounted for in this fund, except for those accounted for in the proprietary fund types.

Proprietary Fund Types:

Enterprise Funds — These funds account for operations of governmental facilities operated in a manner similar to commercial enterprises where the intent is to recover, in whole or in part, through user charges, the costs or expenses (including depreciation) of providing goods or services to the general public on a continuing basis. These funds include:

- **Water Utility Fund** — Accounts for the operations of the City's water supply system.
- **Waste Water Utility Fund** — Accounts for the operations of the City's sewerage system.
- **Parking Facilities Fund** — Accounts for the operations of the City owned off-street parking facilities.
- **Loan and Guarantee Program Fund** — Accounts for the City's economic development financing activities.
- **Industrial Development Authority** — Accounts for the activities of the City's Industrial Development Authority.

Internal Service Funds — These funds account for the financing of goods or services provided by certain City agencies to various other agencies and programs of the City on a cost reimbursement basis. The following funds are included in this category:

- **Mobile Equipment Fund** — Accounts for the service, repair, operation and replacement of the City's equipment fleet.
- **Reproduction and Printing Fund** — Accounts for the operations of the City's printing shop.
- **Municipal Post Office Fund** — Accounts for the operations of the City's internal post office facility offering complete mail services, including interdepartmental pick-up and delivery services, for various City departments and agencies.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

- Municipal Telephone Exchange Fund — Accounts for the administration and operations of the City's telephone exchange.
- Electronic Equipment Maintenance Fund — Accounts for the administration and operations of the City's telecommunications system.
- Construction Management and Inspection Fund — Accounts for the operation of in-house construction management and inspection services on City buildings, highways, bridges and utility construction projects. Reimbursement of costs is funded through charges to appropriate capital projects under construction.
- Risk Management Fund — Accounts for the administration and payment of claims resulting from the City's self-insurance programs, including the New Baltimore City Board of School Commissioners for general claims, workers' compensation claims, real property liability, motor vehicle liability, fleet driver liability and property damage claims, as well as medical and unemployment insurance for City employees.

Fiduciary Fund Types:

Transactions related to assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments are accounted for in fiduciary fund types. Fiduciary fund types are comprised of:

- An Expendable Trust Fund which accounts for assets received and expended by the City as trustee for the Scholarship Fund.
- Nonexpendable Trust Funds which reflect the transactions related to endowments provided to the City by private donors for the Enoch Pratt Free Library and Memorials.
- Pension Trust Funds which account for the receipt, investment and distribution of retirement contributions made for the benefit of policemen, firemen, elected officials and other City employees excluding professional employees of the Enoch Pratt Free Library and the Department of Education who are members of the State of Maryland retirement system.
- Agency Funds which account for assets held by the City as a custodial trustee.

Account Groups:

- General Fixed Assets Account Group — This account group is used to account for the fixed assets of the City, other than those fixed assets reported in the Enterprise and Internal Service Funds. These assets are stated at their original cost and are not depreciated. Capital expenditures are carried in this account group as construction in progress until the projects are completed and are then capitalized by function and classification. Infrastructures, such as streets, highways, bridges, sidewalks, street lighting, traffic poles and signals, and storm sewers, are not reported in the General Fixed Assets Account Group. Such assets are immovable and of value only to the City.
- General Long-Term Obligations Account Group — This account group is used to account for the general obligation bonded debt of the City, capital lease obligations, vested compensated absences of governmental funds and long-term financing agreements other than debt related to the Enterprise and Internal Service Funds.

2. Summary of Significant Accounting Policies:

The accounting and financial reporting policies of the City included in this report conform to generally accepted accounting principles (GAAP), and reporting standards as promulgated by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants and other appropriate sources.

The following is a summary of the more significant policies:

Basis of Accounting:

The accounting and financial reporting applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, agency funds and the New Baltimore City Board of School Commissioners. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). “Measurable” means that the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the related fund liabilities are incurred except for debt service which is considered an expenditure when due, and accumulated employee leave which is considered an expenditure when paid.

Revenues which have been treated as susceptible to accrual include property taxes collected within 60 days after year end; locally imposed State-collected taxes on income; State-shared taxes; Federal, State and other grant and entitlement revenues, and interest. All other revenues are recorded when received.

All proprietary funds, nonexpendable trust funds, pension trust funds and the Community Development Finance Corporation are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components and operating statements present increases (i.e., revenues/additions) and decreases (i.e., expenses/deductions) in net total assets.

GAAP allows governments to choose either not to implement, in proprietary fund types, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless those pronouncements are specifically adopted by GASB (provided that this is applied on a consistent basis) or to continue to follow FASB standards for these fund types. The City has elected not to implement FASB pronouncements issued after that date for its proprietary fund types.

The accrual basis of accounting is utilized by proprietary funds, nonexpendable trust funds and pension trust funds. Under this method, revenues/additions are recorded when earned and expenses/deductions are recorded at the time liabilities are incurred.

Cash and Cash Equivalents:

Cash and cash equivalents include demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the City.

Inventories:

Inventories are stated at cost, using primarily the moving average method. Inventories of governmental fund types are accounted for on the consumption method.

Unbilled Water and Waste Water Utility User Charges:

Unbilled water and waste water user charges are estimated and accrued at year end.

Property, Plant and Equipment — Proprietary Fund Types:

Property, plant and equipment of the proprietary fund types are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives, as follows:

Buildings	50 years
Improvements	20 – 50 years
Equipment	2 – 25 years

Depreciation on assets acquired or constructed with contributed capital is recognized in the operating statement and then transferred to the appropriate contributed capital account.

Long-Term Debt:

General obligation debt expected to be financed from governmental fund types is accounted for in the General Long-Term Obligation Account Group. The general obligation debt recorded in the Enterprise Funds is intended to be financed from

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

these funds. All general obligation debt is secured by the full faith and credit of the City. The principal and interest of the revenue bonds recorded in the Water Utility, Waste Water Utility, Industrial Development Authority and Parking Facilities Funds are payable exclusively from the earnings of the respective funds, where applicable.

Gains and Losses on Early Extinguishment of Debt:

Gains and losses on the early extinguishment of debt are amortized over the shorter of the life of the new or old debt.

Bond Anticipation Notes:

All Bond Anticipation Notes (BANS) were initially sold as long-term debt with stated maturities greater than one year and cannot be accelerated by the note holders. The BANS are recorded in the General Long-Term Obligation Account Group because the stated maturities are long-term. Although the City has the authority to and may refinance these notes, it is not required to do so.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General, Special Revenue, and Capital Projects Funds. Encumbrances are treated as reservations of fund balance in these funds because they do not constitute expenditures or liabilities. Encumbrances are reported with expenditures in all budgetary basis statements.

Total Memorandum Only:

The "Total Memorandum Only" columns are for overview informational purposes only. They do not fairly present financial position, results of operations or cash flows in conformity with generally accepted accounting principles and do not represent consolidated financial information.

Sick, Vacation and Personal Leave:

Employees earn one day of sick leave for each completed month of service; there is no limitation on the number of sick leave days that may be accumulated. At June 30, 1998, the estimated accumulated sick leave for the City was \$55,456,000. Sick leave benefit expenditures are not recorded until paid. A portion of unused sick leave earned annually during each twelve-month base period may be converted to cash for a maximum of three days, computed on an attendance formula. Upon retirement with pension benefits, or termination of employment after completion of twenty or more years of service without pension benefits, employees receive one day's pay for every four sick leave days accumulated and unused as of the date of separation; under any other conditions of separation, unused sick leave is forfeited. Vested unused sick leave for employees with service of 20 or more years, whose activities are accounted for in governmental fund types and similar trust funds are recorded in the General Long-Term Obligations Account Group. The liability is not expected to be paid from current expendable available financial resources. Vested unused sick leave for employees with 20 or more years of service, whose activities are accounted for in proprietary fund types are recorded when leave is earned.

Employees can accumulate a maximum of 224 vacation and personal leave days depending upon length of service which either may be taken through time off or carried until paid upon termination or retirement. Accumulated vacation and personal leave for employees whose activities are accounted for in governmental fund types and similar trust funds are recorded in the General Long-Term Obligations Account Group. The liability is not expected to be reduced from current expendable available financial resources. Accumulated vacation and personal leave for employees whose activities are accounted for in proprietary fund types are recorded when leave is earned.

New Baltimore City Board of School Commissioners' employees are granted vacation, personal leave and sick leave in varying amounts based on length of service and bargaining unit. A limited number of vacation, personal leave and sick leave days may be carried forward from year to year and upon retirement with pension benefits or separation of employment with 20 years of service, employees are paid accumulated vacation and sick leave days at the appropriate formula and rates. The unpaid vested vacation, personal leave and sick leave have been reported in the Component Unit as Vested Compensated Absences. At June 30, 1998, the estimated value of non-vested accumulated sick leave for the New Baltimore City Board of School Commissioners was \$129,012,000, which amount has not been included in the financial statements.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Budgetary Data:

The Combined Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual — General and Budgeted Special Revenue Funds, reflects the budgeted and actual amounts for the General Fund, and only the budgeted Special Revenue Funds (Motor Vehicle and Special Racetrack Funds). Other Special Revenue Funds (Grants Revenue and Community Development Block Grant Funds) do not have annual budgets, since grant awards recorded in these funds span more than a single fiscal year.

Donated Fixed Assets:

Donated fixed assets are recorded at their estimated fair value at the date of receipt.

Estimated Liability for Claims in Progress:

The liability for claims in progress represents estimates for all personal injury, workers' compensation, unemployment, property damage and medical claims at June 30, 1998. This liability, which includes estimates for known, and incurred but not reported, claims, is based upon an actuarial valuation of the City's claim payment history discounted at a rate of 5.66%.

Grant Revenues:

Revenues from Federal, State and other grants, the purpose of which is to fund specific City expenditures, are recognized at the time of the specific expenditures.

Property Tax:

The City levies an annual tax for the fiscal year beginning July 1 and ending June 30, on real and personal property located in the City, due and payable each July 1 (lien date), based on assessed values as of the previous January 1. These assessed values are established by the State of Maryland Department of Assessments and Taxation at various rates of estimated market value. A discount of 1% and ½% is allowed for payments made in July and August, respectively. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 2% is assessed each month after this date that the taxes remain unpaid. Tax liens on real property are sold at public auction in May in instances where the taxes have remained delinquent since the preceding October 1.

State law requires that all real property be reassessed every three years, and further provides that the amount of any increase over previous established market values be phased in over a three-year period. To accomplish the triennial assessment requirement, approximately one-third of all real property is reviewed annually. The City Council, effective with the fiscal year beginning July 1, 1991, enacted a 104% homestead tax credit program which will protect home owners from increases in assessments that are greater than 4% in any one year. The assessed value of real property in Baltimore City for the fiscal year 1998 was \$6,820,914,000, which was approximately 41.2% of the estimated market value.

The tax rate in Baltimore City for real and personal property for fiscal year 1998 was \$5.85 per \$100 of assessed value. Current collections were 97% of the total tax levy.

At June 30, 1998, the City had property taxes receivable of \$14,400,000, net of an allowance for uncollectible accounts of \$52,563,000.

Budget Stabilization Reserve:

State law authorizes its political subdivisions to establish reserve accounts for the purpose of maintaining fiscal stability in the event of economic downturns affecting local revenues. As of June 30, 1998, the City had reserved \$8,628,000 of its General Fund fund balance for that purpose. The reserve can be used in case of emergency at the discretion of the Board of Estimates.

3. Accounting Changes:

Effective July 1, 1997, the City changed its methodology for estimating claims in progress reported in the Internal Service Funds. Previously, the City had estimated all claims in progress at the gross amount that were expected to be paid. Beginning in fiscal year 1998, the City has discounted certain claims in progress. The effect of this change was to increase

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

beginning retained earnings in the Primary Government's Internal Service Fund by \$18,482,000 and reduce current year claims expense by \$1,588,000.

During fiscal year 1998, the City adopted GASB 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." In accordance with the provisions of GASB 31, certain investments of the City have been valued at fair value at June 30, 1998. The effect of this change was to decrease the carrying value of investments in the General Fund by \$2,799,000 and in the Trust and Agency Expendable and Non-Expendable Trust Funds by \$2,701,000, during the year ended June 30, 1998.

During fiscal year 1998, the City modified its existing deferred compensation trust agreements to meet the newly adopted provisions of the Internal Revenue Code for Section 457 Deferred Compensation Plans. As a result of these changes, the City determined that a fiduciary relationship no longer exists between the plan and the City. Therefore, in accordance with GASB 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," assets in the amount of \$116,055,000 at June 30, 1997 have been removed from the financial statements.

4. Budgeting and Budgetary Control:

Annual budgets are adopted for the General Fund and all Special Revenue Funds, except the Grants Revenue and Community Development Block Grant Funds, on a basis consistent with generally accepted accounting principles (GAAP), except for certain miscellaneous general expenses which are not budgeted and encumbrances which are not recognized as expenditures under GAAP. Budgets must be submitted to the City's Board of Estimates within 45 days of the end of the fiscal year. The Board of Estimates must then submit the budget to the City Council within 5 days of the end of the fiscal year.

Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried over to the ensuing fiscal year until utilized or cancelled.

The adopted budgets are prepared and appropriated on an agency, program, activity and object of expenditure basis by fund. Purchase orders which result in an overrun of either operating or capital balances are not released until additional appropriations are made available. Expenditures for each adopted annual operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.

The City Charter permits further appropriations for programs included in the original ordinance of estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original ordinance of estimates. These changes require supplemental appropriation ordinances. During fiscal year 1998, supplemental appropriation ordinances were required for the General Fund in the amount of \$31,015,000.

Summarizations of the budgets adopted by the City Council for the General Fund and the Special Revenue Funds are presented in the Combined Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balance —

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Budget and Actual — General and Budgeted Special Revenue Funds. The City's records are maintained on a budgetary basis and reported on a GAAP basis. The reconciliation of budget to GAAP follows:

Reconciliation: Budgetary to GAAP (Expressed in Thousands)	General Fund	Special Revenue Funds
Excess (deficiency) of revenues and other financing sources over expenditures and encumbrances and other financing uses — budgetary basis — fiscal year 1998	\$ 8,560	\$(5,323)
Change in encumbrances — fiscal year 1998 over 1997	(3,404)	795
Change in expenditures not recorded for budgetary purposes — fiscal year 1998 over 1997.....	2,183	10
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources (uses) — GAAP basis — fiscal year 1998	\$ 7,339	\$(4,518)

During the year-ended June 30, 1998, the Motor Vehicle Fund had an overexpenditure of \$1,150,000 in the Department of Public Works — Highways and Streets category. This overexpenditure was covered by available fund balance. The City makes every efforts to cover such overexpenditures with supplemental appropriations, however overexpenditures are not expressly prohibited by the City Charter. The overexpenditure was more then offset by an underexpenditure in operating transfers out.

5. Cash Deposits:

The carrying amounts of the City's deposits with financial institutions, including non-negotiable certificates of deposits, as of June 30, 1998, was a net overdraft of \$26,061,000 resulting from the City's policy of investing the "bank float" (payments in transit) in order to maximize the amount of interest earnings. The bank balances were \$2,298,000 and are categorized as follows:

	(Expressed in Thousands)
Amount insured by FDIC or collateralized with securities held by the City or its agent in the City's name	\$2,281
Amount collateralized with securities held by the pledging financial institutions' trust departments in the City's name	17
	<u>\$2,298</u>

The Community Development Finance Corporation (CDFC) held cash and cash equivalents at June 30, 1998, totaling \$15,580,000. The majority of the Corporation's cash held is in three commercial banks. These balances exceed the FDIC limitations and are collateralized with securities held by the pledging financial institutions' trust departments in the name of the CDFC.

The New Baltimore City Board of School Commissioners participates in the City's pooled cash account.

6. Notes and Mortgages Receivable:

Notes and mortgages receivable as of June 30, 1998, consist of the following:

- The General and Special Revenue Funds have mortgages receivable of \$15,000,000, net of a \$1,000,000 allowance for losses, and \$4,055,000, respectively, collateralized by real property. These mortgages bear interest at rates ranging from 1% to 12% and mature over 30 years.
- The Debt Service Fund has mortgages receivable of \$9,885,000 collateralized by real property. These mortgages bear interest at rates ranging from 5.46% to 11.16% and mature over 30 years.
- The Loan and Guarantee Program Fund has notes receivable of \$13,710,000, net of an allowance for losses of \$53,038,000, collateralized by mortgages and deeds of trust. Interest bearing notes have rates ranging from 1% to prime plus 6% and mature over 40 years. At June 30, 1998, the prime rate was 8.50%. The allowance for these loans is estimated by management to be a reasonable provision for losses on these loans which were funded from the proceeds of general obligation bonds and federal grants.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

- The Parking Facilities Fund has notes receivable of \$48,551,000 collateralized by real property. These notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years.
- The Community Development Finance Corporation has notes and mortgages receivable of \$25,798,000, net of an allowance of \$15,738,000, collateralized by deeds of trust. The notes and mortgages bear interest at rates ranging from 0% to 15% and mature over 30 years.

7. Investments:

The City, except for pension funds, is authorized by State law to invest in direct or indirect obligations of the U.S. government, certificates of deposit, repurchase agreements and related mutual funds. City policy requires that securities underlying repurchase agreements must have a market value of at least 100% of the cost of the repurchase agreement and the City takes possession of the securities when the repurchase agreement's maturity is over five days. The City has complied with this policy throughout the year.

The pension funds are authorized by City law to invest in obligations of the U.S. government and Canada, deposits in savings accounts, corporate bonds, publicly traded preferred and common stock, bankers' acceptance notes, the State's local government investment pool, loans secured by first mortgages, guaranteed investment contracts, covered call options and real estate equity investments. All of the deposits and investments of the pension funds are invested by outside money managers and are held under a custodial agreement.

Investments made by the City are summarized below. Investments represented by specific identifiable investment securities are classified as to credit risk by the three categories below:

Category 1 — Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 — Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 — Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

(Expressed in Thousands)	Category		Carrying Value	Market Value
	1	2		
Repurchase agreements.....	\$ 50,000	\$64,464	\$ 114,464	\$ 114,464
U.S. Treasury and Agencies	820,348		820,348	820,634
Corporate bonds	267,400		267,400	267,400
Stocks.....	1,272,212		1,272,212	1,272,212
	<u>\$2,409,960</u>	<u>\$64,464</u>	2,474,424	2,474,710
Mutual funds			1,364,573	1,364,573
Guaranteed investment contracts			68,817	68,817
Real estate equity investments			75,995	75,995
			<u>3,983,809</u>	<u>3,984,095</u>
Less: cash equivalents.....			418,819	405,324
Total.....			<u>\$3,564,990</u>	<u>\$3,578,771</u>

Investments are reported at fair value. Investments with maturities of less than one year from purchase date are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Real estate holdings are valued based on the most recent appraisal. Investments that do not have an established market are reported at estimated fair value.

At June 30, 1998, the City's retirement systems held foreign investments with a market value of \$365,173,000. These securities are subject to foreign exchange risk. At June 30, 1998, the retirement systems held currency options and forward contracts hedging their foreign investment position totaling approximately \$192,000 in U.S. currency in denominations of French Franc, Japanese Yen, Deutsche Mark, Austrian Dollar, British Pound, Thailand Baht, and Netherlands Guilder. Gains and losses on these forward contracts are recorded as investment income or expense.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

At June 30, 1998, New Baltimore City Board of School Commissioners had mutual fund investments stated at fair value in the amount of \$2,595,000.

8. Property, Plant and Equipment:

General fixed assets of the City are recorded at cost. General fixed assets activity by major class and function and sources of investment in general fixed assets (amounts expressed in thousands) for the fiscal year ended June 30, 1998, are as follows:

General Fixed Assets	Balance July 1, 1997	Additions and Transfers	Retirements and Transfers	Balance June 30, 1998
Activity by major class:				
Land.....	\$ 144,921			\$ 144,921
Buildings and improvements	1,181,649	\$ 700		1,182,349
Equipment	156,290			156,290
Construction in progress	413,483	155,469	\$4,775	564,177
Total.....	\$1,896,343	\$156,169	\$4,775	\$2,047,737
Activity by major function:				
General government	\$ 224,103	\$ 600		\$ 224,703
Public safety and regulation	71,859			71,859
Public works	35,562			35,562
Public health and welfare	12,449			12,449
Education	774,903			774,903
Recreation and culture	285,203	100		285,303
Economic development	11,951			11,951
Other	66,830			66,830
Construction in progress	413,483	155,469	\$4,775	564,177
Total.....	\$1,896,343	\$156,169	\$4,775	\$2,047,737
Sources of investment:				
Property acquired prior to July 1, 1966	\$ 382,255			\$ 382,255
Property acquired July 1, 1966 and thereafter:				
General fund.....	64,838	\$ 100		64,938
Motor vehicle fund.....	10,633			10,633
Revenue sharing fund	2,659			2,659
Special capital improvement funds:				
City funds.....	34,950			34,950
State construction loans	55,121			55,121
State grants.....	385,203			385,203
Federal grants	102,575			102,575
Debt proceeds.....	444,626	600		445,226
Various funds in construction in progress	413,483	155,469	\$4,775	564,177
Total.....	\$1,896,343	\$156,169	\$4,775	\$2,047,737

Composition of construction in progress (amounts expressed in thousands) as of June 30, 1998, is as follows:

	Cumulative Appropriations June 30, 1998	Expended to June 30, 1998	Commitments	Unencumbered Appropriations
Composition of construction in progress:				
General government	\$ 95,051	\$ 71,688	\$ 676	\$22,687
Public health and welfare	2,727	2,113	81	533
Public safety and regulation	113,898	80,681	28,374	4,843
Sanitation and waste disposal	30,763	11,603	850	18,310
Education	121,779	108,301	6,752	6,726
Recreation and culture	74,089	52,642	2,995	18,452
Economic development	257,155	230,964	8,655	17,536
Other	7,084	6,185		899
Total	\$702,546	\$564,177	\$48,383	\$89,986

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Property held by the Baltimore City Public Schools prior to the creation of the New Baltimore City Board of School Commissioners effective June 1, 1997, is reported in the City's General Fixed Assets. Equipment purchased subsequent to that date is reported as component unit Property, Plant and Equipment net, in the amount of \$15,090,000.

Property, plant and equipment (amounts expressed in thousands) recorded in the Enterprise and Internal Service Funds as of June 30, 1998, consist of the following:

Enterprise Funds	Land	Buildings and Improvements	Equipment	Accumulated Depreciation	Construction in Progress	Net Total	Commitments
Water Utility	\$12,231	\$357,931	\$ 43,539	\$(251,108)	\$174,726	\$ 337,319	\$42,452
Waste Water Utility	2,345	504,436	71,737	(234,789)	437,602	781,331	42,085
Parking Facilities	2,375	52,403	538	(7,712)	12,165	59,769	362
Total	<u>\$16,951</u>	<u>\$914,770</u>	<u>\$115,814</u>	<u>\$(493,609)</u>	<u>\$624,493</u>	<u>\$1,178,419</u>	<u>\$84,899</u>
Internal Service Funds							
Mobile Equipment	\$ 794	\$ 5,047	\$107,453	\$ (67,684)	\$ 50	\$ 45,660	
Reproduction and Printing			1,001	(905)		96	
Municipal Post Office			121	(85)		36	
Municipal Telephone Exchange			188	(123)		65	
Construction Management and Inspection			357	(250)		107	
Risk Management			979	(530)		449	
Total	<u>\$ 794</u>	<u>\$ 5,047</u>	<u>\$110,099</u>	<u>\$ (69,577)</u>	<u>\$ 50</u>	<u>\$ 46,413</u>	

Interest is capitalized on proprietary fund type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. During fiscal year 1998, net interest expense of \$8,872,000 (net of interest income of \$3,129,000) was capitalized.

9. Deferred Revenue:

Deferred revenue in the General Fund is associated with property taxes, mortgages receivable and other miscellaneous items.

Deferred revenue in the Debt Service Fund is associated with mortgages receivable.

Deferred revenue in the Special Revenue and Enterprise Funds is associated with grant funds received as of June 30, 1998, for which related expenditures or expenses have not been incurred.

10. Debt (Other Than Revenue Bonds):

A. LONG-TERM DEBT:

The City of Baltimore does not have a debt limit. However, the Constitution of Maryland requires a three-step procedure for the creation of debt by the City of Baltimore:

- Act of the General Assembly of Maryland or resolution of the majority of Baltimore City delegates
- Ordinance of the Mayor and City Council of Baltimore
- Ratification by the voters of the City of Baltimore

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

A summary of debt activity (amounts expressed in thousands) for fiscal year 1998 is as follows:

	Amount Payable June 30, 1997	Adjustments (b)	New Debt Issued or Net Increase in Obligation	Debt Retired	Amount Payable June 30, 1998
General obligation serial bonds:					
Highways	\$ 20,913	\$ 97	\$ 1,144	\$ 1,411	\$ 20,743
Health	50				50
Public safety	15,989	80	3,796	4,104	15,761
Off-street parking	33,978	90	3,562	4,877	32,753
Parks and recreation	13,018	54	1,539	1,853	12,758
Public buildings and facilities	28,007	74	5,239	3,976	29,344
Schools	70,928	201	17,470	14,137	74,462
Waste water and storm sewer	19,489	151	2,565	3,936	18,269
Urban renewal and development	208,742	521	29,547	17,633	221,177
Water	3,913	7	555	1,072	3,403
Waste disposal	5,224	24	1,389	1,821	4,816
Unallocated			5,403		5,403
Total bonded debt	420,251	1,299	72,209	54,820	438,939
Bond anticipation notes	21,184			3,084	18,100
Long-term financing with the Federal Government:					
Federal economic development loan	16,172			3,530	12,642
Environmental Protection Agency loan	1,810			191	1,619
Total long-term financing with the Federal Government	17,982			3,721	14,261
Private:					
Fannie Mae			2,620	374	2,246
Long-term financing with the State of Maryland (a):					
School construction loans	20			20	0
Highway construction loans	5,534			2,363	3,171
State economic development loans	10,779			894	9,885
Sewer construction loans	856			37	819
Total long-term financing with the State of Maryland	17,189			3,314	13,875
Total long-term debt	476,606	1,299	74,829	65,313	487,421
Less: amount recorded in Enterprise Funds	8,013	19	1,606	2,475	7,163
Total general long-term debt	\$468,593	\$1,280	\$73,223	\$62,838	\$480,258

(a) Under the Constitution of Maryland and applicable State law, certain State loans are not general obligation debts of the political subdivisions, and the political subdivisions, including the City of Baltimore, are not required to levy taxes to meet the debt service thereon. The debt service is deducted by the State Comptroller from payments due the City for its share of distributions from State income taxes and highway user revenues.

(b) The Mayor and City Council of Baltimore issued, as fully registered bonds, \$67,062,500 in Series A General Obligation Bonds dated March 1, 1995. The Series A Bonds consist of current interest bonds and capital appreciation bonds issued to advance refund of certain non-callable maturities of the City's general obligation bonds.

No current interest is payable on the Series A Capital Appreciation Bonds, which are stated to mature on October 15 in each of the years 2006 to 2011, inclusive. Interest on the Series A Capital Appreciation Bonds accrues from the date of delivery, is compounded semiannually on each April 15 and October 15 and will be paid at the maturity or redemption date thereon. The accreted amount due at maturity is \$3,683,000 as of June 30, 1998. The Series A Capital Appreciation Bonds are subject to redemption prior to maturity beginning on October 15, 2005, as a whole at any time or in part thereafter on October 15 or April 15.

On May 1, 1998, the City placed \$45,573,000 of the proceeds from the sale of Mayor and City Council General Obligation Bonds – Consolidated Public Improvement Refunding Bonds of 1998, Series C into a separate irrevocable trust for the purpose of generating all future principal and interest requirements of the previously issued debt. The purpose of this transaction was to refund \$39,741,000 of the following outstanding general obligation bonds of the City of Baltimore: Consolidated Public Improvement Bonds of 1977, 1993 (Series A), 1995 (Series A), and 1996. The advanced refunding met the requirements of an in-substance defeasance and liabilities in the amount of \$39,741,000 have been removed from the balance sheet of the General Long-Term Obligations Account Group.

As a result of the refunding, the City decreased its total debt requirements by \$2,313,000. The economic gain resulting from this transaction was \$1,522,000.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

The following is a summary of debt activity other than general obligation bonds and bond anticipation notes:

- *Federal Economic Development Loan:*

The City has borrowed funds from the Federal Government to provide for various development projects throughout the City. At June 30, 1998, the principal owed to the Federal Government was \$12,642,000 and interest of \$2,926,000 will be due thereon in future years. The loan bears interest at rates ranging from 7.90% to 9.08% and matures serially through 2004.

- *Federal Environmental Protection Loan:*

The United States Environmental Protection Agency (EPA) has granted the City a loan under the Asbestos School Hazard Abatement Act of 1984 to provide for asbestos removal at Walbrook Senior High School. At June 30, 1998, the principal owed to the EPA was \$1,619,000. The principal shall be repaid in annual installments of approximately \$191,000 at zero interest and final payment is due on July 31, 2006.

- *School Construction Loans:*

- *Private Financing*

The City has borrowed funds from the Federal National Mortgage Corporation to provide construction financing for various housing projects. Since 1997, the City has borrowed a total of \$2,620,000 for such purposes. The principal will be paid in semi-annual installments through January 31, 2002. At June 30, 1998, the principal owed to the Federal National Mortgage Corporation was \$2,246,000 and interest of \$412,000 will be due thereon in future years.

- *Highway Construction Loans:*

Under an amendment to State law enacted in 1970, the City became eligible to borrow funds from the State of Maryland for highway construction purposes in the same manner that counties are permitted to borrow. Since 1971, the City has borrowed from the State a total of \$254,817,000 for such purposes. At June 30, 1998, the principal owed to the State was \$3,171,000 and interest of \$233,000 will be due in future years through 2002.

- *State Economic Development Loans:*

The City has borrowed funds from the State of Maryland to provide for various economic development projects under the Maryland Industrial Land Act and the Industrial Commercial Redevelopment Act. At June 30, 1998, the principal owed to the State was \$9,885,000 and interest of \$5,944,000 will be due thereon in future years. These loans bear interest at rates ranging from 2.00% to 11.16% and the final payment is due in 2018.

- *Sewer Construction Loans:*

Under the provisions of Chapter 445, laws of Maryland 1968, and Chapter 286, laws of Maryland 1974, loans were made available to counties and municipalities charged with providing sewerage facilities to assist in the construction of such facilities. Since December, 1980, the City has borrowed a total of \$1,184,000 for sewer projects. At June 30, 1998, the principal owed to the State was \$819,000 and interest of \$437,000 will be due thereon in future years.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

The following is a schedule of the principal and interest payments (amounts expressed in thousands) required to service the existing debt of the City until maturity:

Fiscal Year	General Obligation Bonds		Bond Anticipation Notes*		Long-Term Financing with State of Maryland		Long-Term Financing with Federal Government		Private Financing	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999	\$ 15,165	\$ 25,725	\$ 3,290	\$ 1,207	\$ 2,030	\$ 854	\$ 4,329	\$ 1,244	\$ 562	\$ 172
2000	17,605	23,451	3,515	927	1,242	771	4,692	895	561	126
2001	18,690	26,502	4,000	610	1,308	690	2,225	550	562	80
2002	20,398	20,414	4,115	282	1,376	645	2,156	208	561	34
2003	22,886	18,939	3,180	21	760	581	191	19		
2004	27,733	17,227			856	537	191	10		
2005	29,622	15,294			1,558	439	191			
2006	31,626	15,701			375	357	191			
2007	28,546	16,347			387	327	95			
2008	31,461	15,029			438	294				
2009 and thereafter ...	195,207	61,233			3,545	1,119				
Total	\$438,939	\$255,862	\$18,100	\$3,047	\$13,875	\$6,614	\$14,261	\$2,926	\$2,246	\$412

* Bond Anticipation Notes' maturities are reported at stated redemption dates which cannot be accelerated by the holders.

A summary of general obligation bonds and bond anticipation notes outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 1998, is as follows:

Purpose	Due Dates	Outstanding		Authorized But Unissued Amount
		Interest Rates	Amount	
Fire, police and public protection	1999 to 2016	4.7% to 9.0%	\$ 16,931	\$ 2,000
Off-street parking	1999 to 2017	1.5% to 9.0%	32,927	7,100
Parks and recreation	1999 to 2017	2.7% to 9.0%	15,668	4,806
Public buildings and facilities	1999 to 2017	2.7% to 9.5%	30,025	1,778
Schools	1999 to 2018	2.7% to 9.0%	77,233	24,026
Waste water and storm sewer	1999 to 2011	2.5% to 9.0%	18,268	
Urban renewal and development	1999 to 2018	2.7% to 9.5%	231,570	54,233
Water	1999 to 2010	4.0% to 9.0%	3,403	
Highways	1999 to 2011	4.7% to 9.0%	20,744	8,353
Waste disposal	1999 to 2011	4.75% to 9.0%	4,817	
Finance				20,000
Health	1999 to 2018	5.125% to 5.3%	50	6,950
Unallocated	1999 to 2011	4.7% to 5.5%	5,403	
Total			\$457,039	\$129,246

B. CAPITAL LEASE OBLIGATIONS:

The City has entered into various conditional purchase agreements to construct and purchase certain facilities and equipment to be used by municipal agencies. These conditional purchase agreements do not constitute a pledge of the full faith and credit or taxing power of the City and are subject to termination if sufficient funds are not appropriated by the City Council. Since termination of these agreements is not foreseen, the agreements have been capitalized. Further, upon satisfaction of the purchase agreement, title to the facilities and equipment will pass to the City. During fiscal year 1998, the City's capital lease obligation increased by \$41,478,000 (which includes an increase of \$67,954,000 in additional leases) over the fiscal year 1997 total of \$120,002,000. This represents a 3.5% increase from the prior year.

The following is an analysis of the leased property under capital leases by major classes (amounts expressed in thousands) at June 30, 1998:

Classes of Property	
Buildings	\$ 97,711
Equipment	87,764
Total	<u>\$185,475</u>

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

The following is a schedule of the future minimum payments (amounts expressed in thousands) under the conditional purchase agreements:

1999	\$ 19,061
2000	54,453
2001	13,275
2002	12,920
2003	12,531
2004 and thereafter	<u>121,333</u>
Total	233,573
Less interest	<u>72,093</u>
Present value of conditional purchase agreements	<u>\$161,480</u>

Residual funds available from these conditional purchase agreements in the amount of \$37,089,000, recorded in the Capital Projects Fund, will be used to acquire additional facilities.

C. COMPENSATED ABSENCES:

The City records unpaid leave at year end in the General Long-Term Obligations Account Group. Leave for employees whose activities are accounted for in proprietary fund types and similar trust funds is recorded when earned. The total unpaid leave accrued at June 30, 1998 for the City and the New Baltimore City Board of School Commissioners was \$58,763,000 and \$54,221,000, respectively. These unpaid amounts will be paid from expendable available resources provided for in the budgets of future years. For proprietary fund types, compensated absences are recorded and expensed when earned.

D. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

State and Federal laws and regulations require that the City of Baltimore place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, a liability has been established in the General Long-Term Obligations Account Group based on the City's estimate of the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$8,528,000 as of June 30, 1998, which is based on 40.37% usage (filled) of the landfill. It is estimated that an additional \$12,597,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2019). The estimated total current cost of the landfill closure and postclosure care (\$21,125,000) is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 1998. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

As of June 30, 1998, the City's General Fund held investments of \$8,133,000, to help finance the landfill closure and postclosure care costs. In addition, the General Fund's fund balance was appropriately reserved. It is anticipated that future inflation costs will be financed in part from earnings on investments held by the City of Baltimore. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in closure or postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

11. Revenue Bonds:

The City has issued revenue bonds and revenue bond anticipation notes, the proceeds of which were used to provide funds for capital improvements to water and waste water facilities. Assets with a carrying value of \$34,813,000 at June 30, 1998, and certain revenues of the Water and Waste Water Utility Funds are pledged as collateral for the bonds. Bonds outstanding (amounts in columns expressed in thousands) as of June 30, 1998, consist of:

	Water Utility Fund	Waste Water Utility Fund
Serial bonds series 1993-A maturing in annual installments from \$770,000 to \$1,250,000 from July 1, 1998 through July 1, 2008, with interest ranging from 4.25% to 5.5%, payable semiannually		\$ 10,820
Serial bonds series 1993-A maturing in annual installments from \$1,315,000 to \$2,125,000 from July 1, 1998 through July 1, 2008, with interest ranging from 4.25% to 5.5%, payable semiannually	\$ 18,435	
Serial bonds series 1994-A maturing in annual installments from \$365,000 to \$590,000 from July 1, 1998 through July 1, 2009, with interest ranging from 3.9% to 5.0%, payable semiannually		5,570
Serial bonds series 1994-A maturing in annual installments from \$525,000 to \$850,000 from July 1, 1998 through July 1, 2009, with interest ranging from 3.9% to 5.0%, payable semiannually	8,045	
Serial bonds series 1994-B maturing in annual installments from \$284,069 to \$406,000 from February 1, 1998 through February 1, 2015, with interest rate at 2.25%, payable semiannually		5,804
Serial bonds series 1994-C maturing in annual installments from \$260,742 to \$387,000 from February 1, 1998 through February 1, 2015, with interest rate at 2.5%, payable semiannually		5,440
Serial bonds series 1994-D maturing in annual installments from \$168,392 to \$297,000 from February 1, 1998 through February 1, 2015, with interest rate at 3.6%, payable semiannually		3,856
Serial bonds series 1996-A maturing in annual installments from \$443,000 to \$745,000 from July 1, 1998 through July 1, 2009, with interest ranging from 4.5% to 5.55%, payable semiannually		6,860
Serial bonds series 1996-A maturing in annual installments from \$625,000 to \$1,070,000 from July 1, 1998 through July 1, 2009, with interest ranging from 4.5% to 5.55%, payable semiannually	9,885	
Serial bonds series 1996-B maturing in annual installments from \$121,025 to \$210,000 from August 1, 1998 through February 1, 2017, with interest at 3.18%, payable semiannually		3,067
Serial bonds series 1998-A maturing in annual installments from \$370,000 to \$835,000 from July 1, 1999 through July 1, 2012, with interest ranging from 3.75% to 4.8% payable semiannually	8,850	
Serial bonds series 1998-A maturing in annual installments from \$242,100 to \$414,460 from August 1, 2000 through August 1, 2019, with interest rate at 2.87%, payable semiannually		6,420
Serial bonds series 1998-B maturing in annual installments from \$340,000 to \$765,000 from July 1, 1999 through July 1, 2012, with interest ranging from 3.75% to 4.8%, payable semiannually		8,125
Term bonds series 1990-B with interest at 3.806%, payable semiannually, due February 1, 2012		8,103
Term bonds series 1993-A with interest at 5.6%, payable semiannually, due July 1, 2013	12,200	7,100
Term bonds series 1993-A with interest at 5.65%, payable semiannually, due July 1, 2020	23,900	14,000
Term bonds series 1994-A with interest at 6.0%, payable semiannually, due July 1, 2015	6,250	4,330
Term bonds series 1994-A with interest at 5.0%, payable semiannually, due July 1, 2022		7,115
Term bonds series 1994-A with interest at 5.0%, payable semiannually, due July 1, 2024	30,475	
Term bonds series 1996-A with interest at 5.8%, payable semiannually, due July 1, 2015	7,845	5,445
Term bonds series 1996-A with interest at 5.5%, payable semiannually, due July 1, 2026	23,115	16,040
Term bonds series 1998-A with interest at 5.375%, payable semiannually, due July 1, 2015	2,765	
Term bonds series 1998-A with interest at 5.0%, payable semiannually, due July 1, 2018	3,220	
Term bonds series 1998-A with interest at 5.0%, payable semiannually, due July 1, 2028	14,890	
Term bonds series 1998-B with interest at 5.375%, payable semiannually, due July 1, 2015		2,540
Term bonds series 1998-B with interest at 5.0%, payable semiannually, due July 1, 2018		2,960
Term bonds series 1998-B with interest at 5.0%, payable semiannually, due July 1, 2028		13,700
	<u>\$169,875</u>	<u>\$137,295</u>

The term bonds series 1990-B due February 1, 2012, are subject to redemption at par prior to maturity by operation of a mandatory sinking fund in annual principal amounts ranging from \$387,000 to \$730,000. The term bonds series 1993-A due July 1, 2013, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$1,100,000 to \$1,350,000 for the Water Utility Fund and \$650,000 to \$800,000 for the Waste Water Utility Fund. The term bonds series 1993-A due July 1, 2020, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2014, at annual principal amounts ranging from \$1,450,000 to \$2,000,000 for the Water Utility Fund and \$850,000 to \$1,150,000 for the Waste Water Utility Fund.

The serial bonds series 1994-A are subject to redemption prior to maturity beginning on and after July 1, 2004, at redemption prices ranging from 102% to 100% of the principal amount. The term bonds series 1994-A due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2010, at

CITY OF BALTIMORE

Notes to General Purpose Financial Statements

(Continued)

annual principal amounts ranging from \$895,000 to \$1,200,000 for the Water Utility Fund and \$620,000 to \$830,000 for the Waste Water Utility Fund. The term bonds series 1994-A due July 1, 2022, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$875,000 to \$1,170,000. The term bonds series 1994-A due July 1, 2024, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,265,000 to \$6,320,000.

The serial bonds series 1996-A are subject to redemption prior to maturity beginning on and after July 1, 2006, at redemption prices ranging from 101% to 100% of the principal amount. The term bonds series 1996-A due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2010, at annual principal amounts ranging from \$1,130,000 to \$1,500,000 for the Water Utility Fund and \$785,000 to \$1,040,000 for the Waste Water Utility Fund. The term bonds series 1996-A due July 1, 2026, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,585,000 to \$2,710,000 for the Water Utility Fund and \$1,100,000 to \$1,880,000 for the Waste Water Utility Fund.

The serial bonds series 1998-A and 1998-B are subject to redemption prior to maturity beginning on and after July 1, 2008, at redemption prices ranging from 101% to 100% of the principal amount. The term bonds series 1998-A and 1998-B due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2013, at annual principal amounts ranging from \$875,000 to \$970,000 for the Water Utility Fund and \$805,000 to \$890,000 for the Waste Water Utility Fund. The term bonds series 1998-A and 1998-B due July 1, 2018, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,020,000 to \$1,125,000 for the Water Utility Fund and \$940,000 to \$1,035,000 for the Waste Water Utility Fund. The term bonds series 1998-A and 1998-B due July 1, 2028, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2019, at annual principal amounts ranging from \$1,185,000 to \$1,835,000 for the Water Utility Fund and \$1,090,000 to \$1,690,000 for the Waste Water Utility Fund.

The City has issued project and refunding revenue bonds, the proceeds of which were used to refinance all prior existing debt of the Parking Facilities Fund. Assets with a carrying value of \$14,645,000 at June 30, 1998, and certain revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding (amounts expressed in thousands) as of June 30, 1998, consist of:

Serial bonds series 1992-B maturing in annual installments from \$355,000 to \$510,000 from July 1, 1998 through July 1, 2003, with interest ranging from 7.35% to 7.95%, payable semiannually	\$ 2,570
Serial bonds series 1993 maturing in annual installments from \$2,480,000 to \$3,810,000 from July 1, 1998 through July 1, 2008, with interest ranging from 3.9% to 4.7%, payable semiannually	33,905
Serial bonds series 1997-B maturing in annual installments from \$250,000 to \$495,000 from July 1, 1999 through July 1, 2010, with interest ranging from 6.05% to 6.5%, payable semiannually	4,305
Term bonds series 1992-B with interest at 8.4%, payable semiannually, due July 1, 2011	5,955
Term bonds series 1993 with interest at 5.1%, payable semiannually, due July 1, 2013	3,395
Term bonds series 1993 with interest at 5.0%, payable semiannually, due July 1, 2018	4,330
Term bonds series 1997-A with interest at 5.9%, payable semiannually, due July 1, 2013	21,760
Term bonds series 1997-A with interest at 6.0%, payable semiannually, due July 1, 2018	29,040
Term bonds series 1997-B with interest at 6.75%, payable semiannually, due July 1, 2017	4,510
Term bonds series 1997-B with interest at 6.625%, payable semiannually, due July 1, 2022	4,735
Term bonds series 1997-B with interest at 6.625%, payable semiannually, due July 1, 2027	6,525
Term bonds series 1998-A with interest at 4.9%, payable semiannually, due July 1, 2011	175
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2014	1,770
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2017	2,060
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2021	3,300
	<u>\$128,335</u>

The serial bonds series 1992-B are subject to redemption prior to maturity beginning on and after July 1, 2002, at redemption prices ranging from 102% to 100% of the principal amount. The series 1992-B term bonds due July 1, 2011, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2004, at annual principal amounts ranging from \$550,000 to \$970,000. The serial bonds series 1993 due July 1, 2004 and July 1, 2005, are subject to redemption prior to maturity beginning on and after July 1, 2003, at redemption prices ranging from 102% to

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

100% of the principal amount. The series 1993 term bonds due July 1, 2013 and July 1, 2018, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$615,000 to \$960,000. The series 1997-A term bonds due July 1, 2013 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$3,860,000 to \$4,870,000. The series 1997-A term bonds due July 1, 2018 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2014, at annual principal amounts ranging from \$5,160,000 to \$6,505,000. The serial bonds series 1997-B are subject to redemption prior to maturity beginning on or after July 1, 2007, at redemption prices ranging from 101% to 100% of the principal amount. The series 1997-B term bonds due July 1, 2017 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2011, at annual principal amounts ranging from \$525,000 to \$775,000. The series 1997-B term bonds due July 1, 2022 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2018, at annual principal amounts ranging from \$830,000 to \$1,070,000. The series 1997-B term bonds due July 1, 2027 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2023, at annual principal amounts ranging from \$1,145,000 to \$1,475,000. The series 1998-A term bonds due July 1, 2011 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2003, at annual principal amounts ranging from \$15,000 to \$25,000. The series 1998-A term bonds due July 1, 2014, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2012, at annual principal amounts ranging from \$560,000 to \$620,000. The series 1998-A term bonds due July 1, 2017, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2015, at annual principal amounts ranging from \$650,000 to \$725,000. The series 1998-A term bonds due July 1, 2021, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2018, at annual principal amounts ranging from \$760,000 to \$890,000.

On March 1, 1998, the City placed \$7,600,000 of the proceeds from the sale of Mayor and City Council Parking Facilities Refunding Revenue Bonds Series 1998-A into a separate irrevocable trust for the purpose of generating all future principal and interest requirements of the previously issued debt. The purpose of this transaction was to refund \$7,140,000 Mayor and City Council Parking Facilities Revenue Bonds Series 1992-A. The advanced refunding met the requirements of an in-substance defeasance and liabilities in the amount of \$7,140,000 have been removed from the balance sheet of the Parking Facilities Fund.

As a result of the refunding, the City decreased its total debt requirements by \$1,262,000. The economic gain resulting from this transaction was \$323,000.

The City has issued \$100,000,000 in variable rate demand revenue bonds Series 1986, through the Baltimore Industrial Development Authority of the Mayor and City Council (the "Authority"). The purpose of these bonds is to finance various municipal capital projects. The bonds mature on August 1, 2016, but are subject to optional or mandatory redemptions in whole or part prior to maturity.

The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis. During fiscal year 1998, the variable interest rate paid by the City on these bonds ranged from a high of 4.85% to a low of 3.55%. It is the objective of the Remarketing Agent to set interest rates high enough to assure that the bonds are readily marketable, yet maintain the lowest possible interest cost for the Authority.

In conjunction with the issuance of the bonds, Dai-Ichi Kangyo Bank, Limited, New York Branch (the Bank) issued an irrevocable letter of credit in the amount of \$102,500,000 in favor of the City and First National Bank of Maryland as trustee and Chemical Bank as fiscal agent for the bondholders. The letter of credit expires June 12, 2000, but can be extended for an additional two years. The existing letter of credit permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on bonds when tendered for purchase and not remarketed. Pursuant to the letter of credit agreement between the City, the Bank and the fiscal agent, the issuer is required to reimburse the Bank the amount drawn upon remarketing or in a lump sum on June 12, 2000, whichever is earlier. If the takeout agreement were to be exercised because the entire issue of \$100,000,000 of demand bonds was put and not resold, the City would be required to pay approximately \$8,000,000 per year through the expiration of the agreement. The interest rate on draws made from the letter of credit is at the Bank's prime interest rate.

The City is required to pay the Bank a fee throughout the period of effectiveness of the letter of credit equal to 0.11% per annum of the daily average unutilized amount and 0.20% per annum of the daily average utilized amount.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

During fiscal year 1998, the City made no draws under the letter of credit and no amounts drawn against the letter of credit were outstanding at June 30, 1998.

The Convention Center Refunding Revenue Bonds, Series 1998 were issued May 1, 1998 and are special, limited obligations of the City of Baltimore to refund the \$56,385,000 Mayor and City Council Convention Center Revenue Bonds Series 1994. The bonds are payable solely from revenues which consists of certain hotel taxes and certain receipts derived from the ownership and operation of the Baltimore Convention Center. These bonds include \$31,710,000 in serial bonds, which are due to mature on September 1, in each of the years 1999 to 2012, inclusive; \$6,695,000 in 5.5% term bonds due to mature September 1, 2014; \$3,625,000 in 5.5% term bonds due to mature on September 1, 2015 and \$16,485,000 in 5.0% term bonds due to mature on September 1, 2019. Interest on the bonds is payable on each March 1 and September 1 in each year. The bonds maturing on or after September 1, 2009 are subject to redemption prior to maturity beginning on and after September 1, 2008 at redemption prices ranging from 102% to 100% of the principal amount. The series 1998 term bonds due September 1, 2014, are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2013, at annual principal amounts ranging from \$3,260,000 to \$3,345,000. The series 1998 term bonds due September 1, 2019, are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2016, at annual principal amounts ranging from \$3,825,000 to \$4,425,000. These revenue bonds have been recorded in the General Long-Term Debt Account Group because they are expected to be paid by general fund revenues.

On May 1, 1998, the City placed \$58,515,000 of the proceeds from the sale of Mayor and City Council Convention Center Refunding Revenue Bonds Series 1998 into a separate irrevocable trust for the purpose of generating all future principal and interest requirements of the previously issued debt. The purpose of this transaction was to refund \$56,385,000 Mayor and City Council Convention Center Revenue Bonds Series 1994. The advanced refunding met the requirements of an in-substance defeasance and liabilities in the amount of \$56,385,000 have been removed from the balance sheet of the General Long-Term Obligations Account Group.

As a result of the refunding, the City decreased its total debt requirements by \$2,891,000. The economic gain resulting from this transaction was \$1,443,000.

Principal maturities and interest (amounts expressed in thousands) of revenue bonds and revenue bond anticipation notes are as follows:

	Water Utility		Waste Water Utility		Parking Facilities		Industrial Development Authority		Convention Center	
	Principal	Interest*	Principal	Interest*	Principal	Interest*	Principal	Interest*	Principal	Interest*
1999	\$ 2,465	\$ 8,245	\$ 2,848	\$ 5,851	\$ 2,835	\$ 7,313		\$ 8,000		
2000	2,940	8,725	3,544	6,318	3,205	7,131		8,000	\$ 1,225	\$ 2,429
2001	3,190	8,590	3,782	6,179	3,360	6,977		8,000	1,780	2,891
2002	3,335	8,443	3,932	6,030	3,515	6,813		8,000	1,850	2,832
2003	3,460	8,285	4,088	5,873	3,690	6,636		8,000	1,930	2,758
2004 and thereafter	154,465	113,201	119,101	71,471	111,730	70,179	\$100,000	104,000	51,730	28,663
Total	\$169,875	\$155,489	\$137,295	\$101,722	\$128,335	\$105,049	\$100,000	\$144,000	\$58,515	\$39,573

* Variable rate bonds' interest estimated at 8%.

Revenue bonds payable are presented on the combined balance sheet net of unamortized charges in the amount of \$8,404,000.

At June 30, 1998, revenue bonds payable for the Industrial Development Authority (IDA) are shown net of \$57,849,000 of notes and obligations purchased from the City by the IDA. These obligations have been included in the General Long-Term Obligations Account Group.

The Community Development Finance Corporation has bonds payable at June 30, 1998 in the amount of \$16,130,000. The bonds are subject to redemption prior to maturity if the proceeds are not used for the purposes intended. The bonds are payable solely from the revenues and receipts of loans that have been assigned to the bank. The bonds bear interest at rates ranging from 7.35% to 8.80% and maturing serially through August 2012.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

12. Prior-Year Defeasance of Debt:

In prior years, the City defeased certain revenue bonds and other obligations by placing the proceeds of new debt issues in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 1998, \$224,101,000 of debt outstanding is considered defeased.

13. Operating Leases:

The City has entered into a number of operating leases for rental of office facilities and equipment, some of which provide for increased rentals based upon increases in real estate taxes and common area maintenance fees. As of June 30, 1998, future minimum lease payments (amounts expressed in thousands) are as follows:

1999	\$ 4,947
2000	4,051
2001	3,664
2002	3,458
2003	2,708
2004 and thereafter	<u>25,955</u>
Total	<u>\$44,783</u>

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 1998, rent expenditures approximated \$10,649,000 for all types of leases. These expenditures were made primarily from the General Fund.

14. Retirement Systems:

City employees, other than the professional employees of the Enoch Pratt Free Library and the New Baltimore City Board of School Commissioners (Board), who are members of the Maryland State Retirement System to which the City and the Board makes no contributions, are covered under one of the following Public Employees Retirement Systems (PERS).

Plan Descriptions:

The City of Baltimore contributes to three single employer defined benefit pension plans: Fire and Police Employees' Retirement System, Employees' Retirement System and Elected Officials' Retirement System. Each plan provides retirement benefits as well as disability benefits to plan members and their beneficiaries. The plans are each managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits provision may be amended only by the City Council. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing the plan at the following address:

Baltimore City Retirement Systems
Room 640, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Funding Policy and Annual Pension Cost

Baltimore City Code establishes the contribution requirements for plan members and the City for each of the three plans. The City's annual pension cost for the current year and related information for each plan is as follows:

(Dollars Expressed in Thousands)			
	Fire and Police Employees' Retirement System	Employees' Retirement System	Elected Officials' Retirement System
Contribution rates:			
Employer	5.3%	7.1%	26.5%
Employee	6%	4%	5%
Annual pension cost	\$13,830	\$20,990	\$351
Contribution made	\$13,830	\$20,990	\$351
Basis of Accounting	Accrual	Accrual	Accrual
Actuarial valuation date	June 30, 1998	June 30, 1998	June 30, 1998
Actuarial cost method	Projected Unit Credit Cost	Projected Unit Credit Cost	Projected Unit Credit Cost
Amortization method	Level Dollar Open	Level Dollar Open	Level Dollar Open
Remaining amortization period	20 years	20 years	10 years
Assets valuation method	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumption:			
Investment rate of return:*			
Pre-retirement*	8.25%	8.25%	7.5%
Post-retirement	6.8%	6.8%	6.0%
Projected salary increases*	4.6% – 11.6%	5.0% – 8.1%	6.0%
*Includes inflation at	3.75%	3.75%	3.75%

Three-Year Trend Information
(Dollars Expressed in Thousands)

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Fire and Police Employees' Retirement System:			
June 30, 1998	\$13,830*	100%	\$0
June 30, 1997	9,305	100	0
June 30, 1996	19,010	100	0
Employees' Retirement System:			
June 30, 1998	20,990	100	0
June 30, 1997	19,680	100	0
June 30, 1996	22,119	100	0
Elected Officials' Retirement System:			
June 30, 1998	351	100	0
June 30, 1997	237	100	0
June 30, 1996	392	100	0

* Fiscal year 1998 was reduced by \$10 million of interest surplus as provided by law.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Required Supplementary Information
Schedule of Funding Progress
(Dollars Expressed in Thousands)
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
Fire and Police Employees' Retirement System:						
June 30, 1998	\$1,913,980	\$1,850,540	\$(63,440)	103.4%	\$185,817	(34.1)%
June 30, 1997	1,723,838	1,719,217	(4,621)	100.3	176,873	(2.6)
June 30, 1996	1,546,336	1,547,352	1,016	99.9	173,826	0.6
Employees' Retirement System:						
June 30, 1998	1,185,993	1,155,226	(30,767)	102.7	290,848	(10.6)
June 30, 1997	1,055,278	1,077,066	21,788	98.0	276,069	7.9
June 30, 1996	975,925	990,970	15,045	98.5	300,219	5.0
Elected Officials' Retirement System:						
June 30, 1998	11,223	9,370	(1,853)	119.8	893	(207.5)
June 30, 1997	8,910	7,844	(1,066)	113.6	893	(119.4)
June 30, 1996	6,906	6,932	26	99.6	893	2.9

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of the plan over time indicates whether the plans are becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

The Unfunded Fire and Police Pension Plan

The City's Fire and Police Departments are the administrators of the City's unfunded single employer defined benefit local retirement plan. The plan is managed by the City's Fire and Police Departments under the Code of Local Laws of Baltimore. All employees eligible for this plan were hired prior to January 1, 1947. All members of this plan are currently retired and the City plans to pay benefits on a pay-as-you-go basis until all obligations have been fulfilled. Post retirement benefit increases are estimated at 4.5%. There is no covered payroll for the plan. The City's annual contributions equal the employee benefits paid under the terms of the plan. The City's employer contributions and unfunded accrued liability for the last three years are as follows:

Three-Year Trend Information
(Dollars Expressed in Thousands)

	Employer Contributions	Unfunded Accrued Liability
June 30, 1998	\$6,603	\$36,484
June 30, 1997	7,140	40,213
June 30, 1996	8,002	48,466

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

The Maryland State Retirement and Pension Systems

Under Maryland law, the New Baltimore City Board of School Commissioners is required to make no contributions to the State Systems. The covered employees are required by State statute to contribute to the State Systems. The contribution from employees is 5% for participants in the State Systems retirement plans (with a 5% limit on the annual living allowance and 7% for those who elect a limit on the cost of living allowance commensurate with the Consumer Price Index) and 5% for participants in the State Systems pension plans to the extent their regular earnings exceed the Social Security wage base. Contributions are deducted from participant's salary and wage payments and are remitted to the State on a regular, periodic basis.

The State of Maryland pays, on behalf of the New Baltimore City Board of School Commissioners (Board), the employer's share of retirement and pension costs to the State System for teachers and related positions. During the year ended June 30, 1998, the State paid \$54,559,000 in such costs. This amount has been recorded as both revenue and an expenditure in the Component Unit in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balance.

Fringe Benefits Paid by the State of Maryland

Members of the Maryland State Teachers Retirement System are required to contribute a fixed percentage of earnable compensation. Members of the Maryland State Teachers Pension System are required to contribute 5% of earnable compensation in excess of the Social Security wage base. Employer contribution rates are determined actuarially. The current rate is 16.22% of covered payroll. The State makes contributions on behalf of Board employees who are members of either the Teachers Retirement or Teachers Pension System. The State's contributions on behalf of the Board for the year ended June 30, 1998 was \$1,512,000. Such cost applicable to fiscal year 1998 has been recognized as both a revenue and an expenditure in the General Fund in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balance, but have not been recorded on a budgetary basis.

15. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. The City's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The Risk Management Fund services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of \$750,000 with a cap of \$200,000,000. Settled claims have not exceeded this commercial coverage in any of the past five years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

All funds of the City and the New Baltimore City Board of School Commissioners participate in the program and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 1998, the claims liability of \$90,235,000 reported in the Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. This liability, which has been discounted at 5.66% at June 30, 1998, does not include the effects of inflation, incremental or other allocated or unallocated claim adjustment expenses, salvage, or subrogation, as such factors are not considered material. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made. Changes in the Risk Management Fund's claims liability (amounts expressed in thousands) in fiscal year 1997 and 1998 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
1997	\$86,781	\$182,893	\$(184,100)	\$85,574
1998	85,574	188,048	(183,387)	90,235

16. Postemployment Benefits:

City administrative policy provides that certain postemployment benefits, other than pension benefits, be provided to all its employees. These benefits include certain health care and life insurance benefits. All employees who retire are eligible to receive these benefits. At June 30, 1998, there were 24,578 retirees eligible for these benefits. The City reimburses approximately 63% of the premium cost incurred by pre-Medicare retirees and their dependents. The City also reimburses approximately 84% of the cost for Medicare supplement for each retiree or dependent eligible for Medicare. Such benefits are accounted for on a cash basis so that payments during the current year represent benefit coverage for currently retired employees or their beneficiaries. During fiscal year 1998, these postemployment benefits amounted to \$47,652,000.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

17. Individual Fund Disclosures:

Interfund receivables and payables (amounts expressed in thousands) at June 30, 1998, are as follows:

	Interfund Receivables	Interfund Payables
General	\$21,738	\$ 1,295
Special Revenue:		
Grants Revenue		12,991
Special Racetrack		82
Community Development Block Grants		7,068
		<u>20,141</u>
Internal Service:		
Reproduction and Printing		238
Construction Management and Inspection		1,359
		<u>1,597</u>
Capital Projects	<u>18,021</u>	
Enterprise:		
Water Utility	7,166	968
Waste Water Utility	5,611	15,720
Industrial Development Authority		14,110
	<u>12,777</u>	<u>30,798</u>
Debt Service	<u>1,295</u>	
Totals	<u>\$53,831</u>	<u>\$53,831</u>

The following funds had a deficit (amounts expressed in thousands) in retained earnings at June 30, 1998:

Internal Service Funds:	
Construction Management and Inspection	\$ 2,956
Reproduction and Printing	351
Risk Management	20,807
Municipal Telephone Exchange	313
Enterprise Funds:	
Loan and Guarantee Program	30,655

By charging premiums in excess of that needed to cover expected operating expenses, including claims paid and incurred, the City expects to eliminate the accumulated deficit in the Risk Management Fund over the next ten years.

The deficits in the other Internal Service Funds will be eliminated by reduced salary expenses and increases in user fees.

At the completion of the Loan and Guarantee Program, the City plans to eliminate its deficit by offsetting it against contributed capital.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

18. Segment Information — Enterprise Funds:

Selected financial information (amounts expressed in thousands) with respect to business segments of Enterprise Funds as of June 30, 1998, and the year then ended is as follows:

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Operating revenues	\$ 68,707	\$103,643	\$ 37,283	\$ 3,683	\$ 4,871	\$ 218,187
Depreciation and amortization expense	7,499	11,816	1,170		34	20,519
Operating income (loss)	3,208	2,894	32,392	(2,191)	460	36,763
Operating transfers in				1,727		1,727
Operating transfers out			25,441			25,441
Net income (loss)	2,292	3,035	406	(464)	460	5,729
Net working capital	28,922	33,384	3,353	24,220	65,881	155,760
Changes in contributed capital, net	11,260	30,349	(113)	(2,551)		38,945
Changes in property, plant and equipment	30,184	50,281	5,326			85,791
Total assets	435,226	875,811	140,354	38,324	66,885	1,556,600
General long-term debt payable	3,403	3,760				7,163
Notes payable				314		314
Revenue bonds payable, net	168,494	136,031	122,576		42,151	469,252
Total equity	247,976	701,937	13,643	25,516	10,241	999,313

19. Commitments and Contingencies:

The City is party to legal proceedings which normally occur in governmental operations. The City provides for the estimated losses on certain outstanding claims as discussed in Note 15. The City, in consultation with outside counsel, believes that any losses resulting from the claims will not be material to the financial statements.

As of June 30, 1998, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$8,011,000.

The City receives significant financial assistance from the U.S. Government and the State of Maryland in the form of grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantors' requirements. Any disallowances as a result of these audits become a liability of the City. As of June 30, 1998, the City estimates that no material liabilities will result from such audits.

Under the terms of a Waste Disposal Agreement, the City has committed to deliver 900 tons of solid waste per day through May, 2005 to the Northeast Maryland Waste Disposal Authority. The City's current tipping fee expense for delivering the solid waste is \$40.88 per ton. Such tipping fee is subject to adjustment for inflation and certain other factors as provided in the Waste Disposal Agreement.

The City has entered into a 20-year Sewerage Sludge Disposal Agreement with the Northeast Maryland Waste Disposal Authority in connection with the financing of a sludge composting facility in Baltimore City. The agreement obligates the City to deliver approximately 55,000 tons of sewerage sludge per year and to pay a tipping fee comparable to alternative methods currently being used by the City. The debt service on variable rate bonds is a component of the tipping fee. These fees are recorded in the Waste Water Utility Enterprise Fund. The City's current tipping fee expense for delivering sewerage sludge is approximately \$94 per wet ton.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

The City has also entered into 20-year Service Agreements with Wheelabrator Water Technologies Baltimore L.L.C. in connection with the financing of heat drying facilities for processing biosolids at the City's Back River and Patapsco Wastewater Treatment Plants. The agreements obligate the City to deliver approximately 20,000 dry tons of biosolids per year at each facility and to pay a tipping fee. The debt service on the bonds is a component of the tipping fee. These fees are recorded in the Waste Water Utility Enterprise Fund. The City's current tipping fee expense for delivering biosolids is approximately \$430 per dry ton.

20. Year 2000 Compliance Status

A. PRIMARY GOVERNMENT

Overview

Certain computer programs have been written using two digits rather than four to define the applicable year, which could result in the computer recognizing the date using "00" as the year 1900 rather than the year 2000. This, in turn, could result in major system failures in miscalculations, and is generally referred to as the "Year 2000" (Y2K) problem.

The City of Baltimore's Year 2000 (Y2K) compliance efforts are being overseen by an Information Technology Board (ITB) and coordinated by the Bureau of Accounting and MIS (BAMIS) in the Department of Finance. The ITB was created by the Mayor in January 1997 and is comprised of the Chief of Staff and four senior department heads. In September 1997, the ITB initiated a Committee of Information Technology representatives (CITrep) with members from all City departments and agencies. The CITrep meets monthly and among other things is responsible for reporting on the Year 2000 efforts in their organizations. BAMIS, assisted by a consultant, is in the process of compiling an updated status report summarizing Citywide Y2K efforts. This report and a companion tracking system for high priority projects will be completed in early January 1999.

Mainframe Systems

In December 1996, the City took delivery of a new IBM S390 computer as part of a planned consolidation of four older machines running at three sites. Most of the City's mission critical business systems are currently running on this platform. Those systems under BAMIS control, including tax and other billing, accounting, and payroll, have been part of a Y2K conversion effort that began in 1994. These systems either have been or are expected to be fully compliant and tested by December 1999.

The status of several smaller systems of the Departments of Public Works and Police are currently under review.

Client Server and Other Distributive Systems

Workstations – The City is in the process of updating its workstation inventory and selecting testing and remediation software for use across the organization. The selected solution is expected to be capable of identifying noncompliant hardware and device resident software and have a limited capacity to install corrective patches. City management believes that all at risk workstations/software can be identified and repaired or replaced by June 1999.

Client Servers and Other Remote Devices – An in-depth analysis and review of all servers, their operating systems and applications is the focal point of our current comprehensive readiness update. This review will be completed by January 1999 and, if necessary, alternative strategies will be identified to ensure that the continued provision of any essential City services is not jeopardized by non-compliant technology. Testing programs and schedules will be developed as required for other data devices.

Embedded Chips

The City has yet to identify what it believes is a comprehensive and reliable method for the identification and remediation of equipment that may contain non-compliant embedded chips. Each Department has been instructed to utilize all available means including vendor contact, professional associations, and the internet to assist in the identification and resolution of potential equipment failures. The current status of these efforts will be included in our January 1999 status report.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

Resources Committed

As of June 30, 1998 the City has no material outstanding contracts with vendors for assistance in addressing Y2K issues relating to its computer systems and other electronic equipment. Y2K related expenditures began as early as fiscal year 1994. An all inclusive effort has not been made nor is one anticipated to be made for gathering a comprehensive compilation of actual expenditures from the inception of Y2K activities. The estimates below to correct the Y2K problem are based on average salaries and workstation replacement costs. A more accurate basis for estimation will be available upon completion of the current review.

Mainframe	\$ 500,000
Workstations	1,000,000
Other Equipment	2,500,000
Departmental Staff	750,000
Consultants	150,000
	<u>\$4,900,000</u>

Stages of Work

The City's Y2K process involves four phases:

Phase I — Awareness Stage. This phase encompasses establishing a budget and project plan for dealing with the Y2K issue.

Phase II — Assessment Stage. This phase begins with identifying all of the City systems and individual components of those systems. The City has identified its mission-critical systems and equipment, which are systems and equipment that are critical to conducting operations and checking for compliance.

Phase III — Remediation Stage. This phase is comprised of making technical changes to existing systems and equipment or switching to new compliant systems. During this stage, decisions are made on how to make the systems Y2K compliant, and the required system changes are made.

Phase IV — Validation/Testing Stage. This phase validates and tests the changes made during the remediation stage. This stage includes the development of test data and test scripts, the running of test scripts, and the review of test results.

The City's Y2K remediation work for its mission-critical systems and electronic equipment (classified by the three major categories of IT material used) are in the following stages of work. C means complete, P means in process, A means still needs to be addressed.

	Awareness	Assessment	Remediation	Validation
Mainframe	C	P	P	P
Client Server	C	P	P	P
Embedded Chips	P	A	A	A

Contacts With Business Partners and Others

The previous comments have dealt with efforts to achieve Y2K compliance in the City information systems, equipment, and embedded chips. The City is also aware that its operations can be impacted by the failure of other parties to solve their Y2K problems. Continuing efforts are being made at the highest levels of the City of Baltimore and State of Maryland to coordinate our shared systems conversions in an effort to avoid creating unforeseen problems. Similar steps have been employed in working with our principal banks and other financial institutions. Efforts are underway to obtain assurances that our power and communications suppliers do not expect any Y2K related service interruptions as well.

B. DISCRETELY PRESENTED COMPONENT UNIT

The New Baltimore City Board of School Commissioners (Board) established a master plan to manage its Y2K processes and oversee the activities underway at the Board. The Board initially began an assessment process to determine its population of priority systems and their related Y2K readiness.

CITY OF BALTIMORE
Notes to General Purpose Financial Statements
(Continued)

As a result of this effort, the Board has established a budget and project plan for dealing with the Y2K issue. Mission-critical systems and equipment have been identified. The Board determined that they would acquire inclusive systems to replace their current systems. The current plan calls for the acquisition and implementation of a new Enterprise Financial System and a Student Accounting System. While these new systems are Y2K compliant, legacy systems, however, that must interface with these new systems, are not compliant and therefore are expected to be made compliant. There are 1,242 programs in this category that are expected to be modified and tested before the year 2000.

As the Board decided to replace most of their most critical systems with new Y2K compliant systems after completing a partial assessment of 35 of their current priority systems, they suspended their assessment of the remaining systems. The remaining assessments and remediation will be completed if the implementations of the new systems are delayed.

A critical part of the Board's Y2K plan is the development of contingency plans to ensure continued operations in the event of critical automated systems failure or information supply chain interruptions. The Board has been working to identify a backup plan to provide a process by which schools and offices can continue to operate after the year 2000, provide each school with the ability to process transactions after the year 2000 and provide year 2000 compliance for all mission critical systems. As of November 25, 1998, the Board has committed \$24 million and may appropriate additional amounts to correct the Y2K problem.

While the City has allocated significant resources to the Y2K issue and expects to resolve all of its Y2K problems prior to December 31, 1999, there can be no assurance that all systems will be ready or that failure of systems not identified as critical will not have a significant negative effect on the City's operation. Also, minor problems will undoubtedly remain after December 31, 1999. The City does not expect Y2K problems to have a material adverse effect on its financial health or its ability to meet its financial obligations in a timely manner. However, the City has no control over the Y2K remediation efforts of external third parties and to the extent that the third parties have not resolved its Y2K problems, they may negatively impact the City.



FINANCIAL STATEMENTS

Combining and Individual Fund

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances
and Changes in Fund Balance — Budget and Actual (Budgetary Basis)
General Fund
for the year ended June 30, 1998
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes — local:			
Real property	\$387,277	\$388,536	\$ 1,259
Personal property	76,121	76,270	149
Sales and services	66,043	66,183	140
Payments in lieu of taxes	5,127	5,605	478
Income	133,580	137,748	4,168
Other	2,060	6,285	4,225
Total taxes — local	670,208	680,627	10,419
Licenses and permits:			
General government	3,318	3,289	(29)
Public safety and regulation	11,075	11,541	466
Conservation of health	1,501	1,618	117
Highways	1,724	1,651	(73)
Total licenses and permits	17,618	18,099	481
Fines and forfeitures:			
General government	1,836	2,006	170
Library	182	213	31
Total fines and forfeitures	2,018	2,219	201
Interest, rentals and other investment income	33,150	32,645	(505)
Federal grants:			
Public safety and regulation	80	45	(35)
State grants:			
General government	52,787	52,638	(149)
Public safety and regulation	345	345	
Health	9,317	9,317	
Library	4,494	4,495	1
Recreation and culture	130	130	
Total State grants	67,073	66,925	(148)
Other grants:			
Library	165	165	
Charges for current services:			
General government	10,319	10,874	555
Public safety and regulation	5,075	4,838	(237)
Conservation of health	12	11	(1)
Social services	189	104	(85)
Fire	450	639	189
Library	48	68	20
Recreation and culture	852	837	(15)
Highways, sanitation and waste removal	14,663	14,594	(69)
Total charges for current services	31,608	31,965	357
Miscellaneous	4,338	14,262	9,924
Total revenues	\$826,258	\$846,952	\$20,694

(Continued)

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances
and Changes in Fund Balance — Budget and Actual (Budgetary Basis), Continued
General Fund
for the year ended June 30, 1998
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Expenditures and encumbrances by agency:			
Community Relations Commission	\$ 759	\$ 687	\$ 72
Department of Comptroller	4,024	3,775	249
City Council	3,689	3,439	250
Office of Financial Review	429	429	
Courts	7,353	7,258	95
Supervisors of Elections	1,571	1,571	
Department of Finance	12,483	12,480	3
Department of Fire	94,332	94,332	
Department of Health	17,162	17,027	135
Department of Housing and Community Development	14,835	14,584	251
Department of Law	4,324	4,220	104
Department of Legislative Reference	770	770	
Enoch Pratt Free Library	16,948	16,683	265
Board of Liquor License Commissioners	1,161	1,161	
Mayoralty and Related Functions	138,223	137,303	920
Office of Occupational Medicine and Safety	412	412	
Department of Personnel	2,293	2,293	
Department of Planning	1,191	1,191	
Department of Police	194,708	194,708	
Department of Public Works	54,269	52,055	2,214
Department of Recreation and Parks	30,040	29,686	354
Office of Sheriff	6,182	5,890	292
Office of State's Attorney	13,439	13,260	179
Wage Commission	394	394	
Department of Municipal and Zoning Appeals	344	303	41
Total expenditures and encumbrances	621,335	615,911	5,424
Excess of revenues over expenditures and encumbrances	204,923	231,041	26,118
Other financing sources (uses):			
Operating transfers in	23,550	25,441	1,891
Operating transfers out	(51,046)	(53,850)	(2,804)
Operating transfers to component units	(194,197)	(194,072)	125
Net other financing uses	(221,693)	(222,481)	(788)
Excess (deficiency) of revenues over expenditures and encumbrances and net other financing uses .	(16,770)	8,560	25,330
Fund balance, July 1, 1997 (budgetary basis)	46,683	46,683	
Residual equity transfer		484	484
Fund balance, June 30, 1998 (budgetary basis)	\$ 29,913	\$ 55,727	\$25,814

This schedule does not include a non-budgetary revenue and expense item in the amount of \$1,512,000 which was paid by the State of Maryland to the Maryland State Retirement System on behalf of the City of Baltimore.

CITY OF BALTIMORE
Combining Balances Sheet
Special Revenue Funds
June 30, 1998
(Expressed in Thousands)

	Grants Revenue	Motor Vehicle	Community Development Block Grants	Special Racetrack	Total
ASSETS					
Cash and cash equivalents	\$ 75	\$ 4,576			\$ 4,651
Other accounts receivable, net	306	173			479
Due from Federal government	38,450		\$ 7,634		46,084
Due from State of Maryland	20,123	13,856		\$393	34,372
Due from other grantors	7,346				7,346
Inventories of supplies and materials		1,275			1,275
Notes and mortgages receivable, net			4,055		4,055
Other assets		122			122
Total assets	<u>\$66,300</u>	<u>\$20,002</u>	<u>\$11,689</u>	<u>\$393</u>	<u>\$98,384</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$16,456	\$ 4,825	\$ 615	\$ 11	\$21,907
Due to other funds	12,991		7,068	82	20,141
Deferred revenue	36,853	173	4,006		41,032
Total liabilities	<u>66,300</u>	<u>4,998</u>	<u>11,689</u>	<u>93</u>	<u>83,080</u>
Fund balances:					
Reserved for:					
Encumbrances		2,209		1	2,210
Inventories		1,275			1,275
Other assets		122			122
Unreserved:					
Designated for subsequent year's expenditures		10,320			10,320
Undesignated		1,078		299	1,377
Total fund balances		<u>15,004</u>		<u>300</u>	<u>15,304</u>
Total liabilities and fund balances	<u>\$66,300</u>	<u>\$20,002</u>	<u>\$11,689</u>	<u>\$393</u>	<u>\$98,384</u>

CITY OF BALTIMORE
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (GAAP Basis)
Special Revenue Funds
for the year ended June 30, 1998
(Expressed in Thousands)

	Grants Revenue	Motor Vehicle	Community Development Block Grants	Special Racetrack	Total
Revenues:					
State shared revenue		\$156,181		\$ 584	\$156,765
Licenses and permits		166			166
Interest and other investment income		7,201			7,201
Federal grants	\$157,855		\$ 28,193		186,048
State grants	53,770				53,770
Other grants	3,919				3,919
Charges for current services		2,226			2,226
Miscellaneous		14			14
Total revenues	215,544	165,788	28,193	584	410,109
Expenditures:					
General government	26,797	11,793	3,739	6	42,335
Public safety and regulation	19,546	30,309	638	34	50,527
Conservation of health	123,572				123,572
Social services	17,475				17,475
Public library	4,074				4,074
Recreation and cultural	3,141		67	13	3,221
Highways and streets		78,561	17,564		96,125
Economic development	20,939			69	21,008
Total expenditures	215,544	120,663	22,008	122	358,337
Excess of revenues over expenditures		45,125	6,185	462	51,772
Other financing uses:					
Operating transfers out		(44,803)	(6,185)	(648)	(51,636)
Operating transfers to component units		(4,654)			(4,654)
Total other financing uses		(49,457)	(6,185)	(648)	(56,290)
Deficiencies of revenues over expenditures and other financing uses		(4,332)		(186)	(4,518)
Fund balances, July 1, 1997		19,336		486	19,822
Fund balances, June 30, 1998		\$ 15,004		\$ 300	\$ 15,304

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances and Changes in
Fund Balance — Budget and Actual (Budgetary Basis)
Motor Vehicle Fund
for the year ended June 30, 1998
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State shared:			
State highway user revenue	\$157,500	\$157,662	\$ 162
Overhead reimbursement	(1,000)	(1,481)	(481)
Total State shared revenues	156,500	156,181	(319)
Licenses and permits	250	166	(84)
Interest and other investment income	6,438	7,201	763
Charges for current services:			
Department of Public Works:			
Impounding cars	1,680	1,707	27
Highways	466	519	53
Total charges for current services	2,146	2,226	80
Miscellaneous	1	14	13
Total revenues	165,335	165,788	453
Expenditures and encumbrances:			
Department of Recreation and Parks	2,466	2,466	
Department of Planning	796	695	101
Department of Police	9,319	9,319	
Department of Public Works	99,150	100,123	(973)
Mayoralty	9,116	8,866	250
Total expenditures and encumbrances	120,847	121,469	(622)
Excess of revenues over expenditures and encumbrances	44,488	44,319	(169)
Other financing uses:			
Operating transfers out.....	(46,138)	(44,803)	1,335
Operating transfers to component units	(4,654)	(4,654)	
Total other financing uses.....	(50,792)	(49,457)	1,335
Deficiency of revenues over expenditures and encumbrances and other financing uses	(6,304)	(5,138)	1,166
Fund balance, July 1, 1997 (budgetary basis)	18,221	18,221	
Fund balance, June 30, 1998 (budgetary basis)	\$ 11,917	\$ 13,083	\$1,166

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances and Changes in
Fund Balance — Budget and Actual (Budgetary Basis)
Special Racetrack Fund
for the year ended June 30, 1998
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State-shared:			
Racetrack fees	\$ 392	\$ 584	\$192
Total revenues	392	584	192
Expenditures and encumbrances:			
Department of Public Works	20	6	14
Department of Recreation and Parks	12	12	
Department of Housing and Community Development	69	69	
Department of Police	50	34	16
Department of Transportation	13		13
Total expenditures and encumbrances	164	121	43
Excess of revenues over expenditures and encumbrances	228	463	235
Other financing uses:			
Operating transfers out	(648)	(648)	
Deficiency of revenues over expenditures and encumbrances and other financing uses	(420)	(185)	235
Fund balance, July 1, 1997 (budgetary basis)	481	481	
Fund balance, June 30, 1998 (budgetary basis)	\$ 61	\$ 296	\$235

CITY OF BALTIMORE
Combining Balance Sheet
Enterprise Funds
June 30, 1998

(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
ASSETS						
Cash and cash equivalents	\$ 11,778	\$ 16,678	\$ 6,868	\$ 21,669	\$65,732	\$ 122,725
Investments				1,368		1,368
Accounts receivable, net						
Utility services	11,562	13,035				24,597
Other			482	1,262	532	2,276
Unbilled accounts receivable	10,697	10,580				21,277
Inventories	2,667	164				2,831
Notes and mortgages receivable, net			48,551	13,710		62,261
Restricted assets: cash, investments, loans and accounts receivable:						
Future capital expenditures	35,555	37,319	7,688			80,562
Revenue bond and note debt service account	18,821	11,120	12,612			42,553
Revenue bond and note contingency account	2,067	2,805	2,032			6,904
Property, plant and equipment, net	337,319	781,331	59,769			1,178,419
Issuance costs	4,760	2,779	2,352		621	10,512
Other assets				315		315
Total assets	<u>\$435,226</u>	<u>\$875,811</u>	<u>\$140,354</u>	<u>\$ 38,324</u>	<u>\$66,885</u>	<u>\$1,556,600</u>
LIABILITIES AND EQUITY						
Liabilities:						
Accounts payable and accrued liabilities	\$ 2,240	\$ 4,482	\$ 286			\$ 7,008
Accrued interest payable	3,832	2,591	3,710	\$ 81	\$ 383	10,597
Deposits subject to refund	9					9
Due to other funds	968	15,720			14,110	30,798
Due to other governments	1,701					1,701
Accounts payable from restricted assets	3,652	7,604	139			11,395
Notes payable				314		314
Revenue bonds payable, net	168,494	136,031	122,576		42,151	469,252
Deferred revenue				750		750
Other liabilities	2,951	3,686		11,663		18,300
General long-term debt payable	3,403	3,760				7,163
Total liabilities	<u>187,250</u>	<u>173,874</u>	<u>126,711</u>	<u>12,808</u>	<u>56,644</u>	<u>557,287</u>
Equity:						
Contributed capital	170,493	654,381	592	56,171		881,637
Retained earnings:						
Reserved for:						
Revenue bond retirements	20,888	13,925	14,645			49,458
Unreserved (deficit)	56,595	33,631	(1,594)	(30,655)	10,241	68,218
Total equity	<u>247,976</u>	<u>701,937</u>	<u>13,643</u>	<u>25,516</u>	<u>10,241</u>	<u>999,313</u>
Total liabilities and equity	<u>\$435,226</u>	<u>\$875,811</u>	<u>\$140,354</u>	<u>\$ 38,324</u>	<u>\$66,885</u>	<u>\$1,556,600</u>

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses and Changes in Equity
Enterprise Funds
for the year ended June 30, 1998
(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Operating revenues:						
Water and sewer service	\$ 68,707	\$103,643				\$172,350
Rents, fees and other income			\$ 37,283	\$ 2,614	\$ 3,571	43,468
Interest and investment income				1,069	1,300	2,369
Total operating revenues	68,707	103,643	37,283	3,683	4,871	218,187
Operating expenses:						
Salaries and wages	24,495	28,271		107		52,873
Other personnel costs	7,603	9,247		26		16,876
Contractual services	16,842	37,368	3,720			57,930
Materials and supplies	4,113	6,537	1			10,651
Minor equipment	979	1,484				2,463
General government overhead	3,509	5,248				8,757
Bad debts	366	638		576		1,580
Depreciation	7,333	11,734	1,069			20,136
Program expenses	93	140		5,165	262	5,660
Amortization of bond issuance costs	166	82	101		34	383
Interest					4,115	4,115
Total operating expenses	65,499	100,749	4,891	5,874	4,411	181,424
Operating income (loss)	3,208	2,894	32,392	(2,191)	460	36,763
Non-operating revenues (expenses):						
Gain (loss) on sale of investments	(12)	(7)	10			(9)
Interest income (expense)	(904)	148	(6,555)			(7,311)
Net non-operating revenues (expenses)	(916)	141	(6,545)			(7,320)
Income (loss) before operating transfers	2,292	3,035	25,847	(2,191)	460	29,443
Operating transfers in				1,727		1,727
Operating transfers out			(25,441)			(25,441)
Net income (loss)	2,292	3,035	406	(464)	460	5,729
Add depreciation on fixed assets acquired by contributed capital	1,267	6,419				7,686
Increase (decrease) in retained earnings	3,559	9,454	406	(464)	460	13,415
Retained earnings (deficit) — July 1, 1997	73,924	38,102	12,645	(30,191)	9,781	104,261
Retained earnings (deficit) — June 30, 1998	77,483	47,556	13,051	(30,655)	10,241	117,676
Contributed capital — July 1, 1997	160,500	630,451	705	58,722		850,378
Additions (decrease), net	11,260	30,349	(113)	(2,551)		38,945
Less depreciation on fixed assets acquired by contributed capital	(1,267)	(6,419)				(7,686)
Contributed capital — June 30, 1998	170,493	654,381	592	56,171		881,637
Total equity — June 30, 1998	\$247,976	\$701,937	\$ 13,643	\$ 25,516	\$10,241	\$999,313

CITY OF BALTIMORE
Combining Statement of Cash Flows
Enterprise Funds
for the year ended June 30, 1998
(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Cash flows from operating activities:						
Net operating income (loss).....	\$ 3,208	\$ 2,894	\$ 32,392	\$ (2,191)	\$ 460	\$ 36,763
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:						
Depreciation.....	7,333	11,734	1,069			20,136
Amortization of bond issuance cost.....	166	82	101		34	383
Mortgage receivable principal repayments.....			1,208			1,208
Decrease in notes receivable.....				3,501		3,501
(Increase) decrease in accounts receivable.....	(1,601)	(2,391)	(352)	86	(5)	(4,263)
Decrease in inventories.....	145	7				152
(Increase) in issuance costs.....	(700)	(646)	(637)			(1,983)
Decrease in due from other governments.....	1,710					1,710
Decrease in other assets.....				70		70
Increase (decrease) in accounts payable and accrued liabilities.....	128	(792)	103			(561)
Increase in other liabilities.....	368	500		307		1,175
(Decrease) in deferred revenue.....				(32)		(32)
Increase (decrease) in accrued interest payable.....	(216)	(90)	1,630		66	1,390
(Decrease) in notes payable.....				(38)		(38)
Increase in due to other governments.....	1,701					1,701
Increase (decrease) in due to other funds.....	20	(1,014)	(4,297)		(15,411)	(20,702)
Net cash provided (used) by operating activities.....	12,262	10,284	31,217	1,703	(14,856)	40,610
Cash flows from non-capital financing activities:						
Operating transfers in.....				1,727		1,727
Operating transfers out.....			(25,441)			(25,441)
Net cash provided (used) by non-capital financing activities.....			(25,441)	1,727		(23,714)
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds, net.....	30,289	34,814	27,380		33,773	126,256
Acquisition and construction of capital assets.....	(30,184)	(50,281)	(5,326)			(85,791)
Restricted assets.....	(2,243)	828	(7,089)			(8,504)
Restricted accounts payable.....	(199)	(2,461)	(749)			(3,409)
Principal paid on revenue bonds.....	(15,517)	(17,799)			(5,200)	(38,516)
Principal paid on bonds.....	(1,072)	(1,404)	(9,843)			(12,319)
Interest paid.....	(3,261)	(1,021)	(7,504)			(11,786)
Capital contributions.....	11,260	30,349	(113)	(2,551)		38,945
Net cash provided (used) by capital and related financing activities.....	(10,927)	(6,975)	(3,244)	(2,551)	28,573	4,876
Cash flows from investing activities:						
Proceeds from sale and maturities of mortgages and investment securities.....			10			10
Purchase of investments.....	(12)	(7)		(41)		(60)
Interest on investments.....	2,364	1,183	874			4,421
Net cash provided (used) by investing activities.....	2,352	1,176	884	(41)		4,371
Net increase in cash and cash equivalents.....	3,687	4,485	3,416	838	13,717	26,143
Cash and cash equivalents, July 1, 1997.....	37,502	32,322	14,312	20,831	52,015	156,982
Cash and cash equivalents, June 30, 1998.....	\$ 41,189	\$ 36,807	\$ 17,728	\$ 21,669	\$ 65,732	\$ 183,125

CITY OF BALTIMORE
Combining Balance Sheet
Internal Service Funds
June 30, 1998

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Construction Management and Inspection	Risk Management	Total
ASSETS								
Cash and cash equivalents	\$21,534		\$33	\$ 268	\$1,290		\$ 52,344	\$ 75,469
Investments							15,059	15,059
Accounts receivable, net:								
Other	342	\$ 34	12		14		2,451	2,853
Inventories	84	101	14		114			313
Property, plant and equipment, net	45,660	96	36	65		\$ 107	449	46,413
Other							266	266
Total assets	<u>\$67,620</u>	<u>\$ 231</u>	<u>\$95</u>	<u>\$ 333</u>	<u>\$1,418</u>	<u>\$ 107</u>	<u>\$ 70,569</u>	<u>\$140,373</u>
LIABILITIES AND EQUITY								
Liabilities:								
Accounts payable and accrued liabilities	\$ 1,822	\$ 73	\$10	\$ 569	\$ 9	\$ 333	\$ 729	\$ 3,545
Due to other funds		238				1,359		1,597
Estimated liability for claims in progress							90,235	90,235
Other liabilities	1,718	124	47	45	13	1,371	412	3,730
Total liabilities	<u>3,540</u>	<u>435</u>	<u>57</u>	<u>614</u>	<u>22</u>	<u>3,063</u>	<u>91,376</u>	<u>99,107</u>
Equity:								
Contributed capital	55,631	147	37	32				55,847
Retained earnings:								
Unreserved (deficit)	8,449	(351)	1	(313)	1,396	(2,956)	(20,807)	(14,581)
Total equity (deficit)	<u>64,080</u>	<u>(204)</u>	<u>38</u>	<u>(281)</u>	<u>1,396</u>	<u>(2,956)</u>	<u>(20,807)</u>	<u>41,266</u>
Total liabilities and equity	<u>\$67,620</u>	<u>\$ 231</u>	<u>\$95</u>	<u>\$ 333</u>	<u>\$1,418</u>	<u>\$ 107</u>	<u>\$ 70,569</u>	<u>\$140,373</u>

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses and Changes in Equity
Internal Service Funds
for the year ended June 30, 1998

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Construction Management and Inspection	Risk Management	Total
Operating revenues:								
Charges for services	\$40,795	\$2,389	\$1,196	\$ 9,299	\$ 501	\$ 7,519	\$200,760	\$262,459
Total operating revenues	40,795	2,389	1,196	9,299	501	7,519	200,760	262,459
Operating expenses:								
Salaries and wages	9,949	875	228	520	151	5,933	2,784	20,440
Other personnel costs	2,947	262	86	172	48	1,804	698	6,017
Contractual services	5,882	429	60	11,078	158	300	4,364	22,271
Materials and supplies	8,483	720	1	3	22	65	30	9,324
Minor equipment	60	11		2		9	11	93
Claims paid and incurred:								
General liability							9,222	9,222
Property and casualty							639	639
Workers' compensation							24,636	24,636
Unemployment							1,691	1,691
Automobile — animal liability							2,047	2,047
Medical							149,813	149,813
Postage and delivery service			826					826
Depreciation	7,149	33	9	17	1	32	96	7,337
Total operating expenses	34,470	2,330	1,210	11,792	380	8,143	196,031	254,356
Operating income (loss)	6,325	59	(14)	(2,493)	121	(624)	4,729	8,103
Non-operating revenue (expenses):								
Investment income							698	698
(Loss) on sale of property	(634)							(634)
Total non-operating revenues (expenses)	(634)						698	64
Net income (loss)	5,691	59	(14)	(2,493)	121	(624)	5,427	8,167
Retained earnings (deficit) — July 1, 1997	2,758	(410)	15	2,180	1,275	(2,332)	(44,716)	(41,230)
Change in accounting for unpaid claims (Note 3)							18,482	18,482
Retained earnings (deficit) — July 1, 1997, as restated	2,758	(410)	15	2,180	1,275	(2,332)	(26,234)	(22,748)
Retained earnings (deficit) — June 30, 1998	8,449	(351)	1	(313)	1,396	(2,956)	(20,807)	(14,581)
Contributed capital — July 1, 1997	51,554	147	37	32				51,770
Additions, net	4,077							4,077
Contributed capital — June 30, 1998	55,631	147	37	32				55,847
Total equity (deficit) — June 30, 1998	\$64,080	\$ (204)	\$ 38	\$ (281)	\$1,396	\$(2,956)	\$(20,807)	\$ 41,266

CITY OF BALTIMORE
Combining Statement of Cash Flows
Internal Service Funds
for the year ended June 30, 1998
(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Construction Management and Inspection	Risk Management	Total
Cash flows from operating activities:								
Net operating income (loss)	\$ 6,325	\$ 59	\$(14)	\$(2,493)	\$ 121	\$(624)	\$ 4,729	\$ 8,103
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	7,149	33	9	17	1	32	96	7,337
(Increase) decrease in accounts receivable ..	(128)	162	(12)		9		3,359	3,390
(Increase) decrease in inventories	29	(48)	12		(18)			(25)
Decrease in other assets							60	60
Increase (decrease) in accounts payable and accrued liabilities	562	(13)	(3)	(1,947)	3	30	(33)	(1,401)
Increase (decrease) in due to other funds ..		(157)				448		291
Increase in estimated liability for claims in progress							4,661	4,661
Increase in other liabilities	327	23	8	6	7	146	73	590
Net cash provided (used) by operating activities	14,264	59		(4,417)	123	32	12,945	23,006
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets ..	(9,166)	(59)		(77)		(32)	(64)	(9,398)
Capital contributed	4,077							4,077
Net cash used by capital and related financing activities	(5,089)	(59)		(77)		(32)	(64)	(5,321)
Cash flows from investing activities:								
Proceeds from sale and maturities of investments							5,550	5,550
Purchase of investment securities							(15)	(15)
Interest on investments							698	698
Net cash provided by investing activities							6,233	6,233
Net increase (decrease) in cash and cash equivalents	9,175			(4,494)	123		19,114	23,918
Cash and cash equivalents, July 1, 1997	12,359		33	4,762	1,167		33,230	51,551
Cash and cash equivalents, June 30, 1998	\$21,534		\$ 33	\$ 268	\$1,290		\$52,344	\$75,469

CITY OF BALTIMORE
Combining Balance Sheet
Trust and Agency Funds
June 30, 1998

(Expressed in Thousands)

	Expendable Trust Fund	Nonexpendable Trust Funds			Agency Funds						
	Scholarship	Enoch Pratt Free Library	Memorials	Total Pension Trust Funds	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waxter Center Accessary	Waterloo Summit	Recreation Accessary	Total
ASSETS											
Cash and cash equivalents	\$2,529	\$ 167	\$1,214	\$ 64,826	\$57	\$560	\$32	\$13		\$570	\$ 69,968
Investments	275	1,733	2,214	3,360,489					\$58		3,364,769
Other assets, principally accrued interest receivable	4	27	21	11,475					8		11,535
Total assets	<u>\$2,808</u>	<u>\$1,927</u>	<u>\$3,449</u>	<u>\$3,436,790</u>	<u>\$57</u>	<u>\$560</u>	<u>\$32</u>	<u>\$13</u>	<u>\$66</u>	<u>\$570</u>	<u>\$3,446,272</u>
LIABILITIES AND FUND BALANCE											
Liabilities:											
Accounts payable and accrued liabilities				\$ 2,625	\$57	\$560	\$32	\$13	\$66	\$570	\$ 3,923
Pension benefits payable				2,597							2,597
Total liabilities				<u>5,222</u>	<u>57</u>	<u>560</u>	<u>32</u>	<u>13</u>	<u>66</u>	<u>570</u>	<u>6,520</u>
Fund balance:											
Reserved for:											
Pension benefits				3,431,568							3,431,568
Library services		\$1,927									1,927
Scholarships and memorials	\$2,808		\$3,449								6,257
Total fund balance	<u>2,808</u>	<u>1,927</u>	<u>3,449</u>	<u>3,431,568</u>							<u>3,439,752</u>
Total liabilities and fund balance	<u>\$2,808</u>	<u>\$1,927</u>	<u>\$3,449</u>	<u>\$3,436,790</u>	<u>\$57</u>	<u>\$560</u>	<u>\$32</u>	<u>\$13</u>	<u>\$66</u>	<u>\$570</u>	<u>\$3,446,272</u>

CITY OF BALTIMORE
Combining Statement of Plan Net Assets
Pension Trust Funds
June 30, 1998
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Retirement System	Total
ASSETS				
Cash and cash equivalents	\$ 23,823	\$ 132	\$ 40,871	\$ 64,826
Investments	1,259,482	12,088	2,088,919	3,360,489
Other assets, principally accrued interest receivable	4,873	1	6,601	11,475
Total assets	1,288,178	12,221	2,136,391	3,436,790
LIABILITIES				
Accounts payable	956	5	1,664	2,625
Pension benefits payable	1,213	5	1,379	2,597
Total liabilities	2,169	10	3,043	5,222
Net assets held in trust for pension benefits, June 30, 1998	\$1,286,009	\$12,211	\$2,133,348	\$3,431,568

CITY OF BALTIMORE
Statement of Revenues, Expenditures and Changes in Fund Balance
Expendable Trust Fund
for the year ended June 30, 1998
(Expressed in Thousands)

	Scholarship
Revenues:	
Interest and other investment income	\$ 119
Contributions	662
Total revenues	781
Expenditures:	
Total expenditures — education	40
Excess of revenues over expenditures	741
Fund balance, July 1, 1997	2,067
Fund balance, June 30, 1998	\$2,808

CITY OF BALTIMORE
Combining Statement of Revenues, Expenses and Changes in Fund Balance
Nonexpendable Trust Funds
for the year ended June 30, 1998
(Expressed in Thousands)

	Enoch Pratt Free Library	Memorials	Total
Revenues:			
Interest and other investment income	\$ 170	\$ 112	\$ 282
Total revenues	170	112	282
Expenses:			
Claims, awards and benefits	387	120	507
Net loss	(217)	(8)	(225)
Fund balance, July 1, 1997	2,144	3,457	5,601
Fund balance, June 30, 1998	\$1,927	\$3,449	\$5,376

CITY OF BALTIMORE
Combining Statement of Cash Flows
Nonexpendable Trust Funds
for the year ended June 30, 1998
(Expressed in Thousands)

	Enoch Pratt Free Library	Memorials	Total
Cash flows from operating activities:			
Net operating loss	\$(217)	\$ (8)	\$ (225)
Adjustments to reconcile net operating loss to net cash used by operating activities:			
Interest and other investment income	(170)	(112)	(282)
Decrease in other assets	3	6	9
Net cash used by operating activities	(384)	(114)	(498)
Cash flows from investing activities:			
Sale of investments	374	215	589
Interest and other investment income	170	112	282
Net cash provided by investing activities	544	327	871
Net increase in cash and cash equivalents	160	213	373
Cash and cash equivalents, July 1, 1997	7	1,001	1,008
Cash and cash equivalents, June 30, 1998	\$ 167	\$1,214	\$1,381

CITY OF BALTIMORE
Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
for the year ended June 30, 1998
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Retirement System	Total
Additions:				
Contributions:				
Employer	\$ 20,990	\$ 351	\$ 13,831	\$ 35,172
Employee	348	54	7,429	7,831
Investment income:				
Net appreciation in fair market value of investments	149,091	2,312	275,082	426,485
Interest and dividend income	64,877	368	86,058	151,303
Total additions	235,306	3,085	382,400	620,791
Deductions:				
Retirement allowances	68,698	350	93,172	162,220
Death benefits	1,901		500	2,401
Administrative expense.....	1,195	11	1,369	2,575
Other.....	163		849	1,012
Total deductions.....	71,957	361	95,890	168,208
Net increase	163,349	2,724	286,510	452,583
Net assets held in trust for pension benefits:				
July 1, 1997	1,122,660	9,487	1,846,838	2,978,985
June 30, 1998.....	\$1,286,009	\$12,211	\$2,133,348	\$3,431,568

CITY OF BALTIMORE
Combining Statement of Changes in Assets and Liabilities
Agency Funds
for the year ended June 30, 1998
(Expressed in Thousands)

	Balance July 1, 1997	Additions	Deductions	Balance June 30, 1998
<u>Deferred Compensation Plan</u>				
Assets:				
Cash	\$ 42		\$ 42	
Investments	116,013		116,013	
Total Assets	116,055		116,055	
Liabilities:				
Deferred compensation benefits	116,055		116,055	
Total liabilities	116,055		116,055	
<u>Unpresented Stock and Coupon Bonds</u>				
Assets:				
Cash	67		10	57
Total assets	67		10	57
Liabilities:				
Accounts payable and accrued liabilities	45			45
Other	22		10	12
Total liabilities	67		10	57
<u>Property Sold for Taxes</u>				
Assets:				
Cash	529	31		560
Total assets	529	31		560
Liabilities:				
Other	529	31		560
Total liabilities	529	31		560
<u>Bid Deposit Refunds</u>				
Assets:				
Cash	116	154	238	32
Total assets	116	154	238	32
Liabilities:				
Other	116	154	238	32
Total liabilities	116	154	238	32
<u>Waxter Center Accessary</u>				
Assets:				
Cash	13			13
Total assets	13			13
Liabilities:				
Other	13			13
Total liabilities	13			13
<u>Waterloo Summit</u>				
Assets:				
Investments	97		31	66
Total assets	97		31	66
Liabilities:				
Other	97		31	66
Total liabilities	97		31	66
<u>Recreation Accessary</u>				
Assets:				
Cash	487	1,618	1,535	570
Total assets	487	1,618	1,535	570
Liabilities:				
Other	487	1,618	1,535	570
Total liabilities	487	1,618	1,535	570
<u>Total-All Agency Funds</u>				
Assets:				
Cash	1,254	1,803	1,825	1,232
Investments	116,110		116,044	66
Total assets	117,364	1,803	117,869	1,298
Liabilities:				
Deferred compensation benefits	116,055		116,055	
Accounts payable and accrued liabilities	45			45
Other	1,264	1,803	1,814	1,253
Total liabilities	\$117,364	\$1,803	\$117,869	\$1,298



STATISTICAL SECTION

CITY OF BALTIMORE
General Governmental Revenues by Source (GAAP Basis)
Last Ten Fiscal Years (1)

(Expressed in Thousands)

Unaudited

Fiscal Year	State Shared Revenue and Taxes	Licenses and Permits	Federal, State and Other Grants (2)	Charges for Services	Fines and Forfeitures	Interest, Rental and Other Investment Income	Miscellaneous	Total
1989	\$738,667	\$10,955	\$570,922	\$30,099	\$4,330	\$55,590	\$ 9,526	\$1,420,089
1990	770,480	12,786	602,593	30,410	3,758	45,509	25,177	1,490,713
1991	783,628	14,010	662,819	31,580	5,046	47,415	5,561	1,550,059
1992	778,647	14,844	625,477	33,704	4,795	46,867	3,517	1,507,851
1993	806,534	15,149	653,700	39,170	5,463	42,527	5,177	1,567,720
1994	824,907	15,569	740,932	42,727	2,657	41,981	20,125	1,688,898
1995	828,484	17,575	787,550	33,661	2,225	51,692	7,496	1,728,683
1996	828,756	16,636	852,279	33,065	2,218	55,480	33,052	1,821,486
1997	855,103	17,744	919,106	32,915	2,287	47,410	8,179	1,882,744
1998	837,392	18,265	324,877	34,191	2,219	54,249	21,296	1,292,489

Notes:

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(2) Effective 7/1/97, state grants for the New Baltimore City Board of School Commissioners are shown as a discretely presented component unit.

CITY OF BALTIMORE
General Governmental Expenditures by Function (GAAP Basis)
Last Ten Fiscal Years (1)

(Expressed in Thousands)

Unaudited

Fiscal Year	General Government	Public Safety	Corrections	Highways and Streets	Sanitation	Public Library	Conservation of Health	Social Services	Recreation and Culture	Economic Development	Education (2)	Public Service	Debt Service	Capital Expenditures	Total
1989	\$161,765	\$253,435	\$36,493	\$33,818	\$56,146	\$16,012	\$103,109	\$10,288	\$44,632	\$ 70,320	\$443,862	\$10,497	\$165,151	\$179,886	\$1,585,414
1990	159,592	274,887	37,864	40,169	58,300	15,690	105,086	10,065	43,034	69,222	471,937	8,074	72,902	171,486	1,538,308
1991	169,863	291,560	39,582	41,321	58,008	16,941	123,366	10,423	42,729	72,522	511,303	8,259	75,549	165,881	1,627,307
1992	170,528	292,415	4,752	39,841	53,717	15,940	123,196	12,028	42,139	58,620	542,136	8,504	90,502	162,292	1,616,610
1993	168,313	299,704		43,927	54,378	16,416	134,655	13,536	38,448	76,270	560,578	8,979	102,615	105,189	1,623,008
1994	174,798	310,604		44,362	62,017	18,139	152,560	12,910	40,634	113,328	626,293	8,955	99,697	94,285	1,758,582
1995	178,597	320,873		43,888	60,681	18,701	173,231	14,628	41,907	105,681	637,729	8,377	129,341	124,682	1,858,316
1996	196,103	331,597		86,570	33,267	20,996	166,160	17,048	42,082	88,260	704,324	6,925	57,657	153,531	1,904,520
1997	197,620	319,234		79,504	31,839	21,770	180,654	19,026	41,138	74,817	744,639	9,049	44,486	162,534	1,926,310
1998	224,773	347,333		96,910	31,224	22,313	145,165	18,438	39,175	56,496	1,080	9,609	55,476	171,249	1,219,241

Notes:

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(2) Effective 7/1/97, education expenditures are reported as a discretely presented component unit.

CITY OF BALTIMORE
Property Tax Levies and Collections
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Unaudited

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Current and Prior Years' Adjustments	Outstanding Delinquent Taxes (a)	Percent of Delinquent Taxes to Tax Levy
1989	\$422,419	\$411,735	97.5%	\$3,459	\$415,194	98.3%	\$ (4,380)	\$13,050	3.1%
1990	448,426	433,163	96.6	5,647	438,810	97.9	(5,788)	16,878	3.8
1991	458,041	448,749	98.0	7,159	455,908	99.5	(3,310)	15,701	3.4
1992	477,796	461,228	96.5	3,284	464,512	97.2	(11,636)	17,349	3.6
1993	486,949	469,004	96.3	6,622	475,626	97.7	(9,605)	19,067	3.9
1994	485,291	471,864	97.2	4,629	476,493	98.2	(13,942)	13,923	2.9
1995	481,529	469,075	97.4	3,336	472,411	98.1	(10,581)	12,460	2.6
1996	482,014	463,887	96.2	526	464,413	96.3	(11,861)	18,200	3.8
1997	483,009	466,782	96.6	7,043	473,825	98.1	(11,158)	16,226	3.4
1998	475,125	461,022	97.0	9,238	470,260	99.0	7,022	14,069	4.9

Note:

- (a) Excludes State portion of delinquent property taxes, which at June 30, 1998 totaled \$331,000. This column is net of additions, abatements and provision for doubtful accounts.

CITY OF BALTIMORE
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Unaudited

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1989	\$5,984,005	\$13,368,483	\$1,098,313	\$1,098,313	\$7,082,318	\$14,466,796	49.0%
1990	6,394,618	14,529,856	1,186,538	1,186,538	7,581,156	15,716,394	48.2
1991	6,540,390	15,476,647	1,172,207	1,172,207	7,712,597	16,648,854	46.3
1992	6,743,056	16,304,564	1,375,767	1,375,767	8,118,823	17,680,331	45.9
1993	6,909,633	16,688,960	1,375,816	1,375,816	8,285,449	18,064,776	45.9
1994	6,919,889	17,080,579	1,312,421	1,312,421	8,232,310	18,393,000	44.8
1995	6,878,428	16,941,298	1,361,857	1,361,857	8,240,285	18,303,155	45.0
1996	6,867,382	16,782,536	1,382,719	1,382,719	8,250,101	18,165,255	45.4
1997	6,864,457	16,695,103	1,416,870	1,416,870	8,281,327	18,111,973	45.7
1998	6,820,914	16,574,901	1,305,973	1,305,973	8,126,887	17,880,874	45.5

Note:

Assessed values are established by the Maryland State Department of Assessments on July 1 of each year. Each real property's assessment is reevaluated every three years.

CITY OF BALTIMORE

Property Tax Rates (1)

Last Ten Fiscal Years

Unaudited

	Fiscal Year	City Tax Rate	State Tax Rate(2)	Total(3)
	1989	\$6.00	\$.21	\$6.21
	1990	5.95	.21	6.16
	1991	5.95	.21	6.16
	1992	5.90	.21	6.11
	1993	5.90	.21	6.11
	1994	5.90	.21	6.11
	1995	5.85	.21	6.06
	1996	5.85	.21	6.06
	1997	5.85	.21	6.06
	1998	5.85	.21	6.06

Notes:

(1) Tax rates are for each \$100 of assessed valuation.

(2) The State tax rate is shown for informational purposes only, since the City acts in the role of collector and does not report this portion of the property tax as revenue.

(3) The City has no special assessments.

CITY OF BALTIMORE

**Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures
Last Ten Fiscal Years (2)**

(Dollars Expressed in Thousands)

Unaudited

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures (1)	Ratio of Total Debt Service to Total General Expenditures (2)
1989	\$38,152(3)	\$29,757	\$67,909	\$1,379,713	4.9%
1990	37,674(4)	30,796(5)	68,470	1,349,457	5.1
1991	44,752	29,067(6)	73,819	1,446,676	5.1
1992	51,798(7)	29,575(8)	81,373	1,446,527	5.6
1993	64,485(9)	29,166(10)	93,651	1,502,556	6.2
1994	59,334(11)	29,751(12)	89,085	1,618,273	5.5
1995	47,464(13)	27,807(14)	75,271	1,693,767	4.4
1996	24,019(15)	29,481(16)	53,500	1,725,382	3.1
1997	13,618(17)	26,997(18)	40,615	1,739,062	2.3
1998	19,376(19)	31,460(20)	50,836	1,101,553	4.6

Notes:

(1) Includes General, Special Revenue and Debt Service Funds.

(2) The City has no legal debt margin, however, all bond issues must be approved by the State Legislature. The City has no overlapping debt.

(3) Excludes \$98,100,000 in bond anticipation notes.

(4) Excludes \$2,575,000 in federal loans.

(5) Excludes \$1,801,000 in federal loans.

(6) Excludes \$1,699,000 in federal loans.

(7) Excludes \$6,616,000 in federal loans.

(8) Excludes \$2,159,000 in federal loans.

(9) Excludes \$7,010,000 in federal loans.

(10) Excludes \$1,863,000 in federal loans.

(11) Excludes \$7,390,000 in federal loans.

(12) Excludes \$1,256,000 in federal loans.

(13) Excludes \$3,390,000 in federal loans.

(14) Excludes \$890,000 in federal loans.

(15) Excludes \$3,315,000 in federal loans.

(16) Excludes \$842,000 in federal loans.

(17) Excludes \$3,376,000 in federal loans.

(18) Excludes \$495,000 in federal loans.

(19) Excludes \$3,721,000 in federal loans.

(20) Excludes \$919,000 in federal loans.

CITY OF BALTIMORE
Ratio of Net General Bonded Debt to Assessed Value
and Net General Bonded Debt Per Capita
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Unaudited

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Deduct Other Self-Supporting Debt	Funds Available In Debt Service Fund	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita (Rounded to nearest dollar)
1989	747,500	\$7,082,318	\$376,677	\$130,664	\$13,804	\$232,209	3.3%	\$311
1990	736,014	7,581,156	365,062	58,263(1)	19,817	286,982	3.8	390
1991	733,800	7,712,597	374,997	50,346	24,077	300,574	3.9	410
1992	730,300	8,118,823	392,462	50,750	28,787	312,925	3.9	428
1993	723,500	8,285,449	407,190	50,406	29,356	327,428	4.0	453
1994	709,200	8,232,310	392,840	45,190	21,388	326,262	4.0	460
1995	700,000	8,240,285	390,814	44,712	39,250	306,852	3.7	438
1996	683,300	8,250,101	416,293	43,826	34,926	337,541	4.1	494
1997	669,900	8,281,327	441,435	41,991	36,485	362,959	4.4	542
1998	650,900	8,126,887	457,039	39,097	30,379	387,563	4.8	595

Note:

Composition of other self-supporting debt at June 30, 1998 was:

Off-street parking facilities general obligation bonds and notes (portion reimbursable by private operators)	\$32,753
Water utility general obligation bonds	3,403
Waste water utility general obligation bonds	<u>2,941</u>
Total	<u>\$39,097</u>

(1) During 1990, the City changed its method of calculating the self-supporting debt. This change has the effect of decreasing other self-supporting debt and increasing general bonded debt.

CITY OF BALTIMORE
Revenue Bond Coverage
Water Utility, Waste Water Utility,
Parking Facilities and Convention Center Bonds
Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Unaudited

	Fiscal Year	Gross Revenue	Direct Operating Expense(1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
Water Utility	1989	\$ 44,649	\$38,662	\$ 5,987	\$ 280	\$ 853	\$ 1,133	5.28
	1990	51,821	41,785	10,036	300	796	1,096	9.16
	1991	51,807	43,450	8,357		3,422	3,422	2.44
	1992	54,951	45,196	9,755		3,779	3,779	2.58
	1993	56,679	44,520	12,159		4,786	4,786	2.54
	1994	75,734	48,842	26,892		4,041	4,041	6.65
	1995	61,475	49,149	12,326	655	5,427	6,082	2.03
	1996	64,067	52,357	11,710	1,505	5,385	6,890	1.70
	1997	69,640	55,293	14,347	1,705	6,459	8,164	1.76
	1998	68,707	58,000	10,707	2,370(1)	7,509(1)	9,879	1.08
Waste Water Utility	1989	69,274	61,721	7,553	320	981	1,301	5.81
	1990	77,015	75,280	1,735	345	810	1,155	1.50
	1991	71,252	70,284	968		1,005	1,005	.96
	1992	76,416	69,623	6,793		1,267	1,267	5.36
	1993	88,043	67,519	20,524		1,903	1,903	10.79
	1994	89,988	74,804	15,184		1,954	1,954	7.77
	1995	87,064	80,627	6,437	3,167	3,172	6,339	1.02
	1996	91,466	82,095	9,371	2,094	3,594	5,688	1.65
	1997	100,405	88,060	12,345	2,112	4,180	6,292	1.96
	1998	103,643	88,933	14,710	2,632	5,010(1)	7,642	1.92
Parking Facilities	1989	21,325	1,630	19,695	1,325	6,932	8,257	2.39
	1990	30,394	1,908	28,486	1,380	6,242	7,622	3.74
	1991	30,435	2,054	28,381	1,435	4,911	6,346	4.47
	1992	35,154	2,866	32,288	1,495	6,571	8,066	4.00
	1993	35,686	2,207	33,479	1,575	7,883	9,458	3.54
	1994	33,429	3,536	29,893		4,667	4,667	6.41
	1995	33,741	2,563	31,178	275	7,295	7,570	4.12
	1996	33,361	3,033	30,328	2,085	6,720	8,805	3.44
	1997	37,382	3,715	33,667	2,620	10,289	12,909	2.61
	1998	37,283	3,721	33,562	2,725	6,122	8,847	3.79
Convention Center(2)	1995	8,721		8,721		1,904	1,904	4.58
	1996	9,591		9,591		3,265	3,265	2.94
	1997	11,059		11,059		3,265	3,265	3.39
	1998	3,654		3,654		3,265	3,265	1.12

Notes:

(1) Operating expenses — excluding depreciation and amortization.

(2) Bonds issued during fiscal year 1995.

CITY OF BALTIMORE
Computation of Overlapping Debt
June 30, 1998
Unaudited

The City of Baltimore has no Overlapping Debt.

CITY OF BALTIMORE
Real Property Value, Construction Permits and Bank Deposits Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Unaudited

Fiscal Year	Commercial Construction (3)		Residential Construction (3)		Real Property Value (2)			Commercial Bank Deposits (5)
	Number of Permits	Value (1)	Number of Units	Value	Commercial	Residential	Exempt	
1989	2,610	\$ 475,096	824	\$60,818	\$5,609,220	\$ 7,759,263	\$5,248,270	\$10,572,518
1990	2,524	290,708	304	23,289	6,114,452	8,415,404	5,937,985	11,592,752
1991	2,820	281,856	604	40,594	6,547,311	8,929,336	6,378,703	11,524,141
1992	2,419	215,277	208	10,086	6,698,397	9,606,167	6,662,506	9,663,868
1993	966(4)	211,162	156	6,704	6,959,775	9,729,185	6,984,155	8,204,950
1994	1,015	128,089	304	15,276	7,218,642	9,861,937	7,080,398	7,584,447
1995	1,201	223,963	300	17,167	6,868,865	10,072,433	7,416,788	7,305,798
1996	1,472	563,801	310	29,593	6,527,246	10,255,289	8,326,719	6,442,122
1997	1,039	476,169	178	57,792	6,833,124	10,485,062	7,510,520	7,024,263
1998	1,153	1,340,796	171	90,167	6,756,076	10,853,717	7,537,284	

Notes:

- (1) Includes additions, conversions and razings.
- (2) Source: State of Maryland Department of Assessments and Taxation.
- (3) Source: City of Baltimore, Bureau of Accounting and Management Information Services.
- (4) Beginning July 1, 1985, permits, with a value under \$1,000 were no longer reported. Effective July 1, 1992, only permits with a value of \$10,000 or more are reported.
- (5) Source: FDIC Data Book for respective years, figure for fiscal year 1998 unavailable.

CITY OF BALTIMORE
Principal Taxpayers
for the year ended June 30, 1998

(Dollars Expressed in Thousands)

Unaudited

Taxpayer	Type of Business	1998 Assessed Value	Percentage of Total Assessed Value
Baltimore Gas & Electric Company	Power Utility	\$ 541,675	6.7%
Bell Atlantic — Maryland	Telephone/Communications	292,116	3.6
AT&T Communications of Maryland	Telephone/Communications	60,300	0.7
Baltimore Center Associates Ltd. Partnership	Real Estate	47,616	0.6
Wheelabrator Baltimore L.L.C.	Solid Waste Disposal	33,764	0.4
Old Orchard Road, Inc.	Real Estate	32,200	0.4
CSX Transportation, Inc.	Railroad	30,136	0.4
Baltimore Steam Company	Thermal Energy	22,263	0.3
General Electric Capital Corporation	Leased Property	21,897	0.3
TMCT, LLC	Newspaper	21,698	0.3
		<u>\$1,103,665</u>	<u>13.7%</u>

CITY OF BALTIMORE
Demographic and Miscellaneous Statistics
for the year ended June 30, 1998
Unaudited

Form and Structure

City incorporated in 1797 with Home Rule Charter since 1918

Executive and Legislative Officials:

Mayor	runs city-wide
Comptroller	runs city-wide
City Council, President	runs city-wide
Other City Council Members	by district

Above officials serve concurrent four year terms with no term limits. There are three Council Members in each of the six districts

Principal Public Service Departments

Department	Full Time Budgeted Positions		
	FY1998	FY1994	FY1990
Education	9,968	9,933	10,017
Police	3,907	3,709	3,704
Fire	1,772	1,855	2,007
Public Works	5,631	5,842	4,487
Recreation and Parks	521	695	946
All Other Employees	4,256	4,209	8,125
Total	26,055	26,243	29,286

Economy

	FY1998	FY1994	FY1990
Retail Sales	\$ 5.1B	\$ 3.7B	\$ 3.7B
Income/Cap (1)	(2)\$ 23,130	\$ 20,755	\$ 17,870
Total Employment	291,151	286,394	312,435
% Unemployment	8.8%	10.0%	6.9%
Office Vacancy Rate	14.5%	20.3%	18.2%
Real Property Tax Rate	\$5.85/100	\$5.90/100	\$5.95/100

(1) Calendar year figures.

(2) Calendar year 1996 is the latest year available.

Demographics (thousands)

Fiscal Year	Population(1)	FTEs	Registered Voters	Over 65(1)
1998	650.9	101.2	331.9	(2)94.5
1990	736.1	113.7	386.6	99.8
1980	786.8	136.2	392.8	100.2
1970	905.7	194.1	431.1	95.9
1960	925.2	(3)198.3	(3)440.4	84.7

FTEs = Full Time Equivalent Students
(1) Calendar year figures
(2) Imputed from 1996 ratio to population
(3) Imputed from 1970 ratio to population

Infrastructure

Police Stations	9
Fire Stations	49
Public Schools:	
Elementary	101
Combined Elementary and Middle.....	22
Middle.....	25
Secondary.....	17
Other Facilities	15
Street miles	2,000
Storm Drain miles.....	3,000
Sanitary Sewer miles	2,000
Park acreage	6,500
Recreation Facilities:	
Zoo (attendance).....	628,000
Arena (attendance).....	616,000
Aquarium (attendance).....	1.6 million
Pools and Beaches.....	10
Golf Courses	5
Ice Rinks.....	2
Indoor Soccer Fields.....	2
Library Facilities	26
Volumes (millions)	3.1
Circulation (millions)	1.5
Other Facilities (attendance):	
Oriole Park at Camden Yards.....	3.7 million
Memorial Stadium.....	591,000
Convention Center.....	716,000
Baltimore Museum of Art.....	341,000
Walters Art Gallery.....	302,000
Meyerhoff Symphony Hall	441,000